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FUJIAN HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00181)

ANNOUNCEMENT INTERIM RESULTS FOR THE PERIOD ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHT

	Six months ended 30 June 2021 HK\$	Six months ended 30 June 2020 HK\$
● Revenue	<u>13,338,135</u>	<u>7,612,562</u>
● Profit/(loss) attributable to owners of the Company	<u>2,838,600</u>	<u>(1,833,650)</u>
● Profit/(loss) per share — Basic and diluted (HK cents per Share)	<u>0.25</u>	<u>(0.16)</u>

RESULTS

The Board of Directors (the “Board”) of Fujian Holdings Limited (the “Company”) hereby present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 (the “Period”) together with the unaudited comparative figures for the corresponding period in 2020 as follows:

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

For the period from 1 January 2021 to 30 June 2021 (in HK Dollars)

	<i>Notes</i>	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Revenue	3	13,338,135	7,612,562
Other income	5	233,114	165,485
Other gains and losses	6	3,264,234	489,488
Employee benefits expense		(6,845,168)	(5,858,208)
Depreciation of property, plant and equipment		(1,885,202)	(1,899,921)
Depreciation of right-of-use assets		(1,627,793)	(1,627,789)
Finance costs		(19,565)	(39,422)
Share of results of associates		4,143,246	4,262,633
Other operating expenses		<u>(8,188,235)</u>	<u>(5,242,352)</u>
Profit/(loss) before tax		2,412,766	(2,137,524)
Income tax credit	7	<u>425,834</u>	<u>303,874</u>
Profit/(loss) for the period	8	<u>2,838,600</u>	<u>(1,833,650)</u>
Other comprehensive income/(expense):			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		<u>2,088,492</u>	<u>(748,168)</u>
Other comprehensive income/(expense) for the period, net of tax		<u>2,088,492</u>	<u>(748,168)</u>
Total comprehensive income/(expense) for the period		<u><u>4,927,092</u></u>	<u><u>(2,581,818)</u></u>

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

For the period from 1 January 2021 to 30 June 2021 (in HK Dollars)

	<i>Notes</i>	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Profit/(loss) for the period attributable to:			
Owners of the Company		<u>2,838,600</u>	<u>(1,833,650)</u>
Total comprehensive income/(expense) attributable to:			
Owners of the Company		<u>4,927,092</u>	<u>(2,581,818)</u>
Earnings/(loss) per share			
Basic (HK cents per share)	9	<u>0.25</u>	<u>(0.16)</u>
Diluted (HK cents per share)	9	<u>0.25</u>	<u>(0.16)</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

At 30 June 2021 (in HK Dollars)

	<i>Notes</i>	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Non-current assets			
Property, plant and equipment	<i>11</i>	17,254,694	18,910,518
Right-of-use assets	<i>12</i>	9,197,915	10,825,708
Investment properties	<i>13</i>	233,800,000	233,800,000
Interest in associates		124,050,131	115,860,756
Deferred tax assets		1,886,819	1,886,819
		<u>386,189,559</u>	<u>381,283,801</u>
Current assets			
Inventories	<i>14</i>	292,591	283,736
Trade and other receivables	<i>15</i>	2,712,061	2,238,786
Cash and bank balances		52,983,284	55,701,628
		<u>55,987,936</u>	<u>58,224,150</u>
Current liabilities			
Trade and other payables	<i>16</i>	10,860,521	12,585,578
Lease liabilities		952,118	1,414,614
Tax payable		595,578	—
		<u>12,408,217</u>	<u>14,000,192</u>
Net current assets		<u>43,579,719</u>	<u>44,223,958</u>
Total assets less current liabilities		<u>429,769,278</u>	<u>425,507,759</u>
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	<i>17</i>	898,839,029	898,839,029
Reserves		(471,008,083)	(475,935,175)
Total equity		<u>427,830,946</u>	<u>422,903,854</u>
Non-current liabilities			
Lease liabilities		—	239,739
Deferred tax liabilities		1,938,332	2,364,166
		<u>1,938,332</u>	<u>2,603,905</u>
		<u>429,769,278</u>	<u>425,507,759</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY*For the period from 1 January 2021 to 30 June 2021 (in HK Dollars)*

	Attributable to owners of the Company			
	Share capital	Translation reserve	Accumulated losses	Total
At 1 January 2021 (audited)	<u>898,839,029</u>	<u>(1,938,464)</u>	<u>(473,996,711)</u>	<u>422,903,854</u>
Profit for the period	—	—	2,838,600	2,838,600
Other comprehensive income for the period	<u>—</u>	<u>2,088,492</u>	<u>—</u>	<u>2,088,492</u>
Total comprehensive income for the period	<u>—</u>	<u>2,088,492</u>	<u>2,838,600</u>	<u>4,927,092</u>
At 30 June 2021 (unaudited)	<u>898,839,029</u>	<u>150,028</u>	<u>(471,158,111)</u>	<u>427,830,946</u>
	Attributable to owners of the Company			
	Share capital	Translation reserve	Accumulated losses	Total
At 1 January 2020 (audited)	<u>898,839,029</u>	<u>(11,661,142)</u>	<u>(476,024,080)</u>	<u>411,153,807</u>
Loss for the period	—	—	(1,833,650)	(1,833,650)
Other comprehensive expense for the period	<u>—</u>	<u>(748,168)</u>	<u>—</u>	<u>(748,168)</u>
Total comprehensive expense for the period	<u>—</u>	<u>(748,168)</u>	<u>(1,833,650)</u>	<u>(2,581,818)</u>
At 30 June 2020 (unaudited)	<u>898,839,029</u>	<u>(12,409,310)</u>	<u>(477,857,730)</u>	<u>408,571,989</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2021 to 30 June 2021 (in HK Dollars)

1. 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*”. The interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements, except for the adoption of new and amended standards and interpretation as described below.

(a) Amended standards adopted by the Group

Amendments to HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2

The adoption of the amended standards did not have any material impact on the interim financial information.

(b) New standards, amendments, interpretation and accounting guideline not yet adopted

The following new standards, amendments, interpretation to standards and accounting guideline have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020 Cycle	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
Amendments to HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1, HKFRS Practice Statement 2 and HKAS 8	Disclosure of Accounting Policies	1 January 2023
Amendment to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The impact of new and amended standards, interpretation and accounting guideline above is still under assessment by the Group.

The Group has not applied the new and revised HKFRSs and HKASs, which have been issued but are not yet effective. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs and HKASs would have a material impact on its results of operations and financial position.

3. REVENUE

	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Gross rental income from letting of investment properties	2,661,125	3,439,255
Revenue from hotel operations	<u>10,677,010</u>	<u>4,173,307</u>
	<u><u>13,338,135</u></u>	<u><u>7,612,562</u></u>

(i) Disaggregated of revenue from contract with customers

	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Types of goods or services		
Accommodation income	6,224,778	2,076,120
Catering and other income	<u>4,452,232</u>	<u>2,097,187</u>
	<u><u>10,677,010</u></u>	<u><u>4,173,307</u></u>
Geographical markets		
Mainland China	<u>10,677,010</u>	<u>4,173,307</u>
Timing of revenue recognition		
A point in time	4,452,232	2,097,187
Over time	<u>6,224,778</u>	<u>2,076,120</u>
	<u><u>10,677,010</u></u>	<u><u>4,173,307</u></u>

(ii) Performance obligations

For hotel operations, the performance obligation is satisfied when services are rendered.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2021 are all expected to be recognised within one year.

4. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker (“CODM”), for the purpose of resource allocation and assessment of segment performance focuses on the types of services provided.

The Group's operating and reportable segments under HKFRS 8 are as follows:

Property investment — the rental of investment properties

Hotel operations — the operation of hotel

Segment revenue and results

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

	Property investment		Hotel operations		Consolidated	
	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
REVENUE						
Revenue from external customers	<u>2,661,125</u>	<u>3,439,255</u>	<u>10,677,010</u>	<u>4,173,307</u>	<u>13,338,135</u>	<u>7,612,562</u>
Segment profit/(loss) before depreciation amortisation and others	2,552,849	3,388,955	(1,741,472)	(4,126,446)	811,377	(737,491)
Depreciation	<u>—</u>	<u>—</u>	<u>(1,874,721)</u>	<u>(1,888,822)</u>	<u>(1,874,721)</u>	<u>(1,888,822)</u>
Segment results	2,552,849	3,388,955	(3,616,193)	(6,015,268)	(1,063,344)	(2,626,313)
Unallocated income/(expenses)					3,382,820	(27,978)
Central administration costs					(4,049,956)	(3,745,866)
Share of results of associates					<u>4,143,246</u>	<u>4,262,633</u>
Profit/(loss) before tax					2,412,766	(2,137,524)
Income tax credit					<u>425,834</u>	<u>303,874</u>
Profit/(loss) for the period					<u>2,838,600</u>	<u>(1,833,650)</u>

Segment revenue as reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (30 June 2020: nil).

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

Segment assets and liabilities

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

	Property investment		Hotel operations		Consolidated	
	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Assets						
Segment assets	244,832,282	245,353,828	71,260,643	74,732,529	316,092,925	320,086,357
Interest in associates					124,050,131	115,860,756
Unallocated corporate assets					<u>2,034,439</u>	<u>3,560,838</u>
Consolidated total assets					<u>442,177,495</u>	<u>439,507,951</u>
Liabilities						
Segment liabilities	(2,923,406)	(2,771,391)	(8,471,435)	(8,986,337)	(11,394,841)	(11,757,728)
Unallocated corporate liabilities					<u>(2,951,708)</u>	<u>(4,846,369)</u>
Consolidated total liabilities					<u>(14,346,549)</u>	<u>(16,604,097)</u>

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

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

Geographical information

The Group operates in two principal geographical areas — the 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 are present based on the geographical location of asset are detailed below:

	Revenue from external customers	
	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Mainland China	10,677,010	4,173,307
Hong Kong	<u>2,661,125</u>	<u>3,439,255</u>
	<u>13,338,135</u>	<u>7,612,562</u>

5. OTHER INCOME

	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Bank interest income	24,511	89,461
Others	<u>208,603</u>	<u>76,024</u>
	<u><u>233,114</u></u>	<u><u>165,485</u></u>

6. OTHER GAINS AND LOSSES

	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Gain arising on change in fair value of financial assets designated at fair value through profit or loss	462,242	617,635
Gain on deemed disposal of interest in an associate	2,777,185	—
Net foreign exchange gains/(losses)	<u>24,807</u>	<u>(128,147)</u>
	<u><u>3,264,234</u></u>	<u><u>489,488</u></u>

7. INCOME TAX CREDIT

	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Current tax — PRC	—	—
Deferred tax		
Current period	<u>425,834</u>	<u>303,874</u>
Income tax credit	<u><u>425,834</u></u>	<u><u>303,874</u></u>

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, the Hong Kong Profits Tax of the qualifying group entity 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 period (30 June 2020: 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 period.

8. PROFIT/(LOSS) FOR THE PERIOD

	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Profit/(loss) for the period has been arrived at after charging/(crediting):		
Gross rental income from investment properties	(2,661,125)	(3,439,255)
Less: Direct operating expenses that generated rental income during the period	<u>108,276</u>	<u>50,300</u>
	<u>(2,552,849)</u>	<u>(3,388,955)</u>
Depreciation of hotel property	1,224,531	1,224,531
Depreciation of other property, plant and equipment	<u>660,671</u>	<u>675,390</u>
	<u>1,885,202</u>	<u>1,899,921</u>
Depreciation of right-to-use assets	<u>1,627,793</u>	<u>1,627,789</u>
Total depreciation and amortisation	<u>3,512,995</u>	<u>3,527,710</u>
Salaries and other benefits (including directors' remunerations)	6,309,641	5,591,484
Retirement benefit scheme contributions	<u>535,527</u>	<u>266,724</u>
Staff costs	<u>6,845,168</u>	<u>5,858,208</u>

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earning (2020: loss) per share of the Company is based on the unaudited consolidated net profit attributable to the owner of the Company of HK\$2,838,600 (30 June 2020: loss of HK\$1,833,650), on 1,145,546,000 ordinary shares in issue during the period.

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

10. INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the period (30 June 2020: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

	Hotel property (Unaudited)	Furniture and fixtures (Unaudited)	Leasehold improvements (Unaudited)	Plant, machinery and equipment (Unaudited)	Total (Unaudited)
At cost					
At 1 January 2020 (audited)	92,391,462	3,114,840	18,784,168	6,594,976	120,885,446
Additions	—	430,158	—	202,077	632,235
Disposal and write-off	—	(7,513)	—	(96,610)	(104,123)
Exchange adjustments	—	197,570	1,208,325	414,299	1,820,194
At 31 December 2020 and 1 January 2021 (audited)	92,391,462	3,735,055	19,992,493	7,114,742	123,233,752
Additions	—	—	—	112,213	112,213
Written off	—	—	—	(455,692)	(455,692)
Exchange adjustments	—	68,467	371,154	129,560	569,181
As at 30 June 2021	<u>92,391,462</u>	<u>3,803,522</u>	<u>20,363,647</u>	<u>6,900,823</u>	<u>123,459,454</u>
Depreciation and impairment					
At 1 January 2020 (audited)	77,901,171	2,600,042	13,655,086	4,892,679	99,048,978
Provided for the year	2,449,064	172,580	923,121	368,626	3,913,391
Eliminated on disposal and write-off	—	(7,513)	—	(64,213)	(71,726)
Exchange adjustments	—	175,493	930,925	326,173	1,432,591
At 31 December 2020 and 1 January 2021 (audited)	80,350,235	2,940,602	15,509,132	5,523,265	104,323,234
Provided for the period	1,224,531	81,240	412,662	166,769	1,885,202
Eliminated on written off	—	—	—	(452,065)	(452,065)
Exchange adjustments	—	54,853	291,753	101,783	448,389
As at 30 June 2021	<u>81,574,766</u>	<u>3,076,695</u>	<u>16,213,547</u>	<u>5,339,752</u>	<u>106,204,760</u>
Net carrying amounts					
as at 30 June 2021	<u>10,816,696</u>	<u>726,827</u>	<u>4,150,100</u>	<u>1,561,071</u>	<u>17,254,694</u>
As at 31 December 2020 (audited)	<u>12,041,227</u>	<u>794,453</u>	<u>4,483,361</u>	<u>1,591,477</u>	<u>18,910,518</u>

12. RIGHT-OF-USE ASSETS

	Leasehold Land	Office premise	Total
COST			
Balance at 1 January 2021	12,961,874	4,144,740	17,106,614
Additions	<u>—</u>	<u>—</u>	<u>—</u>
Balance at 30 June 2021	<u>12,961,874</u>	<u>4,144,740</u>	<u>17,106,614</u>
DEPRECIATION			
Balance at 1 January 2021	3,748,014	2,532,892	6,280,906
Provided for the period	<u>937,003</u>	<u>690,790</u>	<u>1,627,793</u>
Balance at 30 June 2021	<u>4,685,017</u>	<u>3,223,682</u>	<u>7,908,699</u>
CARRYING AMOUNTS			
Balance at 30 June 2021	<u><u>8,276,857</u></u>	<u><u>921,058</u></u>	<u><u>9,197,915</u></u>
Balance at 31 December 2020	<u><u>9,213,860</u></u>	<u><u>1,611,848</u></u>	<u><u>10,825,708</u></u>
		30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Interest on lease liabilities		19,565	39,422
Total cash outflow for leases		<u><u>721,800</u></u>	<u><u>721,800</u></u>

13. INVESTMENT PROPERTIES

FAIR VALUE	
At 31 December 2020 and at 30 June 2021	<u><u>233,800,000</u></u>

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

14. INVENTORIES

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Consumables	<u>292,591</u>	<u>283,736</u>

15. TRADE AND OTHER RECEIVABLES

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Trade receivables	722,246	1,372,269
Loss allowance	<u>(129,341)</u>	<u>(122,815)</u>
	<u>592,905</u>	<u>1,249,454</u>
Other receivables, utility deposits and prepayments	14,699,953	14,465,500
Loss allowance	<u>(12,580,797)</u>	<u>(13,476,168)</u>
	<u>2,119,156</u>	<u>989,332</u>
Total trade and other receivables	<u>2,712,061</u>	<u>2,238,786</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.

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
0–30 days	622,967	1,274,492
31–60 days	22,085	—
61–90 days	—	18,544
91–180 days	—	4,634
181–360 days	1,210	—
Over 360 days	<u>75,984</u>	<u>74,599</u>
	722,246	1,372,269
Less: Loss allowance	<u>(129,341)</u>	<u>(122,815)</u>
	<u>592,905</u>	<u>1,249,454</u>

16. TRADE AND OTHER PAYABLES

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Trade payables	1,649,204	2,226,076
Other payables	<u>9,211,317</u>	<u>10,359,502</u>
Total trade and other payables	<u>10,860,521</u>	<u>12,585,578</u>

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

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Current to six months	1,433,829	1,987,792
Over six months and within one year	1,574	238,284
Over one year	<u>213,801</u>	<u>—</u>
	<u>1,649,204</u>	<u>2,226,076</u>

The average credit period is 60 days (31 December 2020: 60 days).

17. SHARE CAPITAL

	Number of shares	HK\$
Issued and fully paid		
At 1 January 2020, 31 December 2020 and 30 June 2021	<u>1,145,546,000</u>	<u>898,839,029</u>

18. APPROVAL OF THE INTERIM FINANCIAL STATEMENT

These condensed interim financial statements were approved and authorised for issue by the Directors on 26 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2021, the Group recorded net profit attributable to owners of the Company of approximately HK\$2.84 million (30 June 2020: loss of HK\$1.83 million). The Group's net profit is mainly attributable to the increase of approximately 155.8% in revenue from hotel operations for the period ended 30 June 2021 as compared to the revenue from hotel of approximately HK\$4.17 million for the six months ended 30 June 2020.

The turnover of the Group for the six months ended 30 June 2021 amounted to approximately HK\$13.34 million, representing an increase of approximately 75.30% from approximately HK\$7.61 million in the corresponding period of previous year. The increase is mainly due to the increase in business volume of star-rated hotel operation during the period under review.

Given our good balance sheet status and cash generation ability, our financial position continues to be strong. As at 30 June 2021, the gearing ratio (divided non-current liabilities by equity plus non-current liabilities multiple by 100 which results in percentage) of the Group was 0.45% (31 December 2020: 0.6%).

The group has been keeping low debt ratio and has enough working capital. We are minimising cash spend and implementing cost saving measures as much as possible. Our main priority is to protect our staff's livelihoods while this pandemic continues, and we are actively encouraging our staff to take vaccinations for their own protection as well as helping business get back to normal.

OPERATIONAL REVIEW

A. Star-rated hotel operation

For the recent years, 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 six months ended 30 June 2021, the turnover of the hotel operation was approximately HK\$10.68 million (30 June 2020: HK\$4.17 million), representing an increase of approximately 155.8% from the corresponding period of last year. The increase mentioned above is mainly attributable to the significant recovery of the hotel in the first half of the financial year.

For the period under review, the average occupancy rate was approximately 44% (2020: 16%), representing an increase of 175% over the corresponding period of last year. Average daily rate (ADR) was approximately RMB326 (30 June 2020: RMB298) representing an increase of 9% over the corresponding period of last year.

The following table sets out the amount and percentage of contributions from different businesses of the star-rated hotel operation for the six months ended 30 June 2021, together with comparative figures as of 30 June 2020:

	30 June 2021		30 June 2020	
	<i>HK\$ in thousand</i>	<i>% of revenue</i>	<i>HK\$ in thousand</i>	<i>% of revenue</i>
Accommodation revenue	6,225	58%	2,076	50%
Catering	3,519	33%	1,377	33%
Rental revenue	596	6%	459	11%
Others	337	3%	261	6%
	<u>10,677</u>	<u>100%</u>	<u>4,173</u>	<u>100%</u>

Accommodation revenue

The accommodation revenue was mainly determined by the number of available rooms, occupancy rate and ADR of the Group's hotel. During the period under review, the accommodation revenue of star-rated hotel was approximately HK\$6.23 million, representing an increase of approximately 200% over the corresponding period of 2020.

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 51% 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\$3.52 million representing approximately 33% 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.

Looking forward, hospitality business is gradually resuming full operations as restrictions began to be relaxed and vaccinations gathered pace.

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\$0.6 million in rental revenue during the six months under review, representing approximately 6% of the hotel operation's turnover.

B. Hong Kong properties held by the Group

Occupancy of investment properties held by the Group suffered from a weak local leasing environment, decreasing 11% compared with the same period last year. Rents in the office sector in Hong Kong remained under pressure and the outlook is uncertain for the rest of the year as expected.

During the period under review, the rental income of the properties in Hong Kong was approximately HK\$2.66 million, compared to last year representing a decrease of approximately 22.67%. The decrease is mainly due to a unit unoccupied during the period. The Group recorded approximately HK\$3.44 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. However, the Group recorded a share of loss from its interest in Harmony Piano approximately HK\$0.06 million for the period under review (2020: profit of approximately HK\$0.74 million).

D. Finance Leasing

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. The Group generated approximately HK\$2.78 million Hong Kong dollars of deemed disposal income from the above-mentioned capital increase process during the period.

For the six months ended 30 June 2021, the interest in finance leasing approximately HK\$4.2 million profit for the period (30 June 2020: profit of approximately HK\$3.52 million).

FUTURE DEVELOPMENT

Looking forward, 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.

The near-term economic performance will continue to face challenges for the rest of the year 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.

FINANCIAL REVIEW

Capital Structure

As at 30 June 2021, 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 30 June 2021, the Group had a net cash balance of approximately HK\$52.98 million (31 December 2020: HK\$55.70 million). The Group's net asset value (assets less liabilities) was approximately HK\$427.83 million (31 December 2020: HK\$422.90 million), with a liquidity ratio (ratio of current assets to current liabilities) of 4.51 (31 December 2020: 4.16). During the period 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.

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.

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.

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.

We have cash and cash equivalent balances denominated in various currencies. The following is a breakdown of our cash and cash equivalent balances by currency as at the end of each period/year:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Cash and cash equivalents denominated in RMB (in thousands)	<u>43,066</u>	<u>44,491</u>
Cash and cash equivalents denominated in HK\$ (in thousands)	<u>9,917</u>	<u>11,211</u>

CAPITAL MANAGEMENT

Our objectives when managing capital are to safeguard our ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

We manage our capital structure and make adjustments to it in order to have funds available to support the business activities which the Board intends to pursue in addition to maximizing the return to shareholders. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Group's management to sustain future development of the business.

In order to carry out current operations and pay for administrative costs, we will utilise our existing working capital and raise additional amounts as needed. Management reviews our capital management approach on an ongoing basis and believes that this approach, given the relative size of the Group, is reasonable.

Charge on Assets

As at 30 June 2021, the Group did not charge any of its assets (31 December 2020: Nil).

Bank Loans and Other Borrowings

There were no outstanding bank loan and other borrowings by the Company and the Group as at 30 June 2021 (31 December 2020: Nil).

Capitalised Borrowing Costs

No borrowing costs were being capitalised during the six months ended 30 June 2021 (31 December 2020: Nil).

Significant Investments

The Group held no other significant investment during the reporting period.

Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

The Group had no material acquisition and disposal of subsidiaries, associates and affiliated companies during the period.

Contingent Liability

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

Human Resources

As at 30 June 2021, the Group had approximately 126 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 Director do not recommend the payment of dividend for the six months ended 30 June 2021.

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

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

INTERESTS IN COMPETING BUSINESSES

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

INTERESTS IN ASSETS OF THE GROUP

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

DIRECTORS' INTERESTS IN CONTRACTS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company had fully complied throughout the six months ended 30 June 2021 with the code provisions in the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

In the opinion of the Directors, the Company has met all code provisions as set out in the Code during the six months ended 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted Appendix 10 of the Listing Rules, the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”), as its own code of conduct regarding Directors’ securities transactions. Specific enquiry has been made with all Directors, and the Directors had complied with the requirements set out in the Model Code for the period under review.

AUDIT COMMITTEE

The audit committee of the Company was established in 1999. Currently, it comprises three members, all of whom are independent non-executive Directors, namely Ms. Liu Mei Ling Rhoda who possesses professional accounting qualification, Mr. Lam Kwong Siu and Mr. Ng Man Kung. Ms. Liu Mei Ling Rhoda is the Chairman of the Audit Committee. The Audit Committee adopted the terms of in accordance with the Code issued by the Stock Exchange. The principal duties of the audit committee include the review and supervision of the Group’s financial reporting process and internal controls. Two meetings have been held by the audit committee during the Period. Each Committee meeting was provided with necessary financial information of the Group for consideration, review and assessment of major issues.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the interim financial results for the Period. The Audit Committee considers the financial statement to in compliance with the appropriate financial standards and regulations and sufficient disclosure has been made.

The unaudited interim financial report for the six months ended 30 June 2021 was approved by the Board for issue on 26 August 2021.

PUBLICATION OF INFORMATION ON WEBSITES

This announcement is published on the websites of the Company (www.fujianholdings.com) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the period ended 30 June 2021 will be dispatched to shareholders of the Company and available on the above websites in due course.

ACKNOWLEDGEMENTS

I would like to take this opportunity to extend my sincere gratitude to all shareholders, business partners and customers for their support, and to all our colleagues for their efforts, hard work and dedication. Their hardwork forms the foundation for the Group's future business development.

By Order of the Board
Fujian Holdings Limited
Chen Yangbiao
Chairman

Hong Kong, 26 August 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.