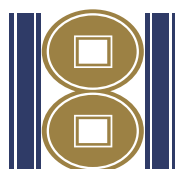


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FUJIAN HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00181)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<u>23,427</u>	<u>25,689</u>
Profit attributable to owners of the Company	<u>3,641</u>	<u>2,027</u>
Earnings per share		
Basic (<i>HK cents per share</i>)	<u>0.32</u>	<u>0.18</u>
Diluted (<i>HK cents per share</i>)	<u>0.32</u>	<u>0.18</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 2021, together with the comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021 (in HK Dollars)

	Notes	2021	2020
Revenue	4	23,427,213	25,689,212
Other income	6	328,978	362,711
Other gains and losses	7	3,054,012	(373,011)
Employee benefits expense		(11,947,750)	(12,175,178)
Depreciation of property, plant and equipment		(3,988,799)	(3,913,391)
Depreciation of right-of-use assets		(3,255,587)	(3,255,582)
Finance costs		(28,986)	(68,986)
Share of profit of associates		7,346,545	9,682,484
Gain on deemed disposal of an associate		3,462,133	—
Other operating expenses		(15,714,627)	(14,839,978)
Profit before tax		2,683,132	1,108,281
Income tax credit	8	957,447	919,088
Profit for the year attributable to owners of the Company	9	3,640,579	2,027,369
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		4,854,808	9,722,678
Exchange differences reclassified to profit or loss upon:			
Deemed disposal of an associate		(1,738,228)	—
Other comprehensive income for the year attributable to owners of the Company, net of income tax		3,116,580	9,722,678
Total comprehensive income for the year attributable to owners of the Company		6,757,159	11,750,047
Earnings per share			
Basic (HK cents per share)	10	0.32	0.18
Diluted (HK cents per share)	10	0.32	0.18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021 (in HK Dollars)

	Notes	2021	2020
Non-current assets			
Property, plant and equipment		16,264,079	18,910,518
Right-of-use assets		7,570,121	10,825,708
Investment properties		235,800,000	233,800,000
Interest in associates		128,507,445	115,860,756
Deferred tax assets		1,886,819	1,886,819
		<u>390,028,464</u>	<u>381,283,801</u>
Current assets			
Inventories		293,550	283,736
Trade and other receivables	11	1,918,563	2,238,786
Cash and bank balances		49,520,268	55,701,628
		<u>51,732,381</u>	<u>58,224,150</u>
Current liabilities			
Trade and other payables	12	10,453,374	12,585,578
Lease liabilities		239,739	1,414,614
		<u>10,693,113</u>	<u>14,000,192</u>
Net current assets		<u>41,039,268</u>	44,223,958
Total assets less current liabilities		<u>431,067,732</u>	<u>425,507,759</u>
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	13	898,839,029	898,839,029
Reserves		(469,178,016)	(475,935,175)
Total equity		<u>429,661,013</u>	<u>422,903,854</u>
Non-current liabilities			
Lease liabilities		—	239,739
Deferred tax liabilities		1,406,719	2,364,166
		<u>1,406,719</u>	<u>2,603,905</u>
		<u>431,067,732</u>	<u>425,507,759</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (in HK Dollars)

1. BASIS OF PREPARATION

Statement of compliance

The financial information relating to the years ended 31 December 2021 and 2020 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 2020 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 2021 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 2021 (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 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 2021 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the 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 ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statements 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Disclosure of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related Assets and Liabilities arising from a Single Transaction ³
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 April 2021

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

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective for annual periods beginning on or after a date to be determined

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021 (in HK Dollars)

4. REVENUE

An analysis of revenue is as follows:

	<u>2021</u>	<u>2020</u>
Revenue from other sources		
— Gross rental income	5,146,981	6,996,370
Revenue from contract with customers		
— Hotel operations	18,280,232	18,692,842
	<u>23,427,213</u>	<u>25,689,212</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021 (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	
	2021	2020	2021	2020	2021	2020
REPORTABLE SEGMENT REVENUE						
Revenue from external customers	<u>5,146,981</u>	<u>6,996,370</u>	<u>18,280,232</u>	<u>18,692,842</u>	<u>23,427,213</u>	<u>25,689,212</u>
REPORTABLE SEGMENT RESULT						
Segment result before other gains and losses:	<u>4,883,958</u>	<u>6,924,222</u>	<u>(5,965,226)</u>	<u>(4,694,729)</u>	<u>(1,081,268)</u>	<u>2,229,493</u>
Net increase/(decrease) in fair value of investment properties	<u>2,000,000</u>	<u>(1,500,000)</u>	<u>—</u>	<u>—</u>	<u>2,000,000</u>	<u>(1,500,000)</u>
Segment result	<u>6,883,958</u>	<u>5,424,222</u>	<u>(5,965,226)</u>	<u>(4,694,729)</u>	<u>918,732</u>	<u>729,493</u>
Unallocated income					114,412	231,001
Finance costs					(28,986)	(68,986)
Corporate administration costs					(9,129,704)	(9,465,711)
Share of profit of associates					7,346,545	9,682,484
Gain on deemed disposal of an associate					<u>3,462,133</u>	<u>—</u>
Profit before tax					<u>2,683,132</u>	<u>1,108,281</u>
Income tax credit					<u>957,447</u>	<u>919,088</u>
Profit for the year					<u><u>3,640,579</u></u>	<u><u>2,027,369</u></u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (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 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 2021 (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	
	2021	2020	2021	2020	2021	2020
ASSETS						
Segment assets	244,326,222	245,353,828	66,662,719	74,732,529	310,988,941	320,086,357
Interest in associates					128,507,445	115,860,756
Unallocated corporate assets					2,264,459	3,560,838
Consolidated total assets					441,760,845	439,507,951
LIABILITIES						
Segment liabilities	(2,123,578)	(2,771,391)	(7,443,232)	(8,986,337)	(9,566,810)	(11,757,728)
Unallocated corporate liabilities					(2,533,022)	(4,846,369)
Consolidated total liabilities					12,099,832	(16,604,097)

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	
	2021	2020	2021	2020	2021	2020
Other segment information						
Additions to non-current assets	–	33,362	1,169,597	598,873	1,169,597	632,235
Depreciation of property, plant and equipment	20,963	21,135	3,967,836	3,892,256	3,988,799	3,913,391
Depreciation of right-of-use assets	1,381,580	1,381,575	1,874,007	1,874,007	3,255,587	3,255,582
Net (increase)/decrease in fair value of investment properties	(2,000,000)	1,500,000	–	–	(2,000,000)	1,500,000
Loss on disposal of property, plant and equipment	–	18,402	5,003	13,995	5,003	32,397

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021 (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	
	2021	2020	2021	2020
Mainland China	18,280,232	18,692,842	152,027,523	143,880,322
Hong Kong	5,146,981	6,996,370	236,114,122	235,516,660
	<u>23,427,213</u>	<u>25,689,212</u>	<u>388,141,645</u>	<u>379,396,982</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 2021 and 2020.

6. OTHER INCOME

	2021	2020
Bank interest income	49,975	123,381
Government grants (Note)	91,575	81,000
Others	187,428	158,330
	<u>328,978</u>	<u>362,711</u>

Note:

During the current year, the Group recognised government grants of HK\$91,575 (2020: HK\$81,000) in respect of COVID-19-related subsidies, which relates to Employment Support Scheme provided by the Hong Kong government for compensating the Group's staff costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021 (in HK Dollars)

7. OTHER GAINS AND LOSSES

	<u>2021</u>	<u>2020</u>
Net increase/(decrease) in fair value of investment properties	2,000,000	(1,500,000)
Gain arising on change in fair value of financial assets at fair value through profit or loss	1,029,205	1,121,914
Net foreign exchange gains	24,807	5,075
	<u>3,054,012</u>	<u>(373,011)</u>

8. INCOME TAX

	<u>2021</u>	<u>2020</u>
Current tax:		
PRC Enterprise Income Tax	—	—
Underprovision in prior years	—	59,596
	—	59,596
Deferred tax:		
Current year	(957,447)	(978,684)
Total income tax credit recognised in profit or loss	<u>(957,447)</u>	<u>(919,088)</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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 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 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 (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 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021 (in HK Dollars)

9. PROFIT FOR THE YEAR

	<u>2021</u>	<u>2020</u>
Profit for the year has been arrived at after (crediting)/charging:		
Gross rental income from investment properties	(5,146,981)	(6,996,370)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	280,498	86,394
	<u>(4,866,483)</u>	<u>(6,909,976)</u>
Employee benefits expense (including directors' remunerations):		
Salaries and other benefits in kind	11,166,537	11,865,605
Contributions to retirement benefits schemes	781,213	309,573
	<u>11,947,750</u>	<u>12,175,178</u>
Depreciation of right-of-use assets	3,255,587	3,255,582
Depreciation of hotel property	2,449,064	2,449,064
Depreciation of other property, plant and equipment	1,539,735	1,464,327
	<u>7,244,386</u>	<u>7,168,973</u>
Total depreciation	<u>7,244,386</u>	<u>7,168,973</u>
Auditors' remuneration	<u>780,000</u>	<u>700,000</u>

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 December 2021 and 2020 are based on the Group's profit attributable to the owners of the Company is based on the following data:

	<u>2021</u>	<u>2020</u>
Profit		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>3,640,579</u>	<u>2,027,369</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 2021 and 2020 were presented as there were no potential ordinary share in issue for both 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021 (in HK Dollars)

11. TRADE AND OTHER RECEIVABLES

	<u>2021</u>	<u>2020</u>
Trade receivables	886,331	1,372,269
Loss allowance	(126,426)	(122,815)
	<u>759,905</u>	<u>1,249,454</u>
Other receivables, utility deposits and prepayments	15,031,068	14,465,500
Loss allowance	(13,872,410)	(13,476,168)
	<u>1,158,658</u>	<u>989,332</u>
Total trade and other receivables	<u>1,918,563</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.

	<u>2021</u>	<u>2020</u>
0–30 days	880,526	1,274,492
31–60 days	–	–
61–90 days	–	18,544
91–180 days	5,805	4,634
181–360 days	–	–
Over 360 days	–	74,599
	<u>886,331</u>	<u>1,372,269</u>
Less: Loss allowance	<u>(126,426)</u>	<u>(122,815)</u>
	<u>759,905</u>	<u>1,249,454</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021 (in HK Dollars)

12. TRADE AND OTHER PAYABLES

	<u>2021</u>	<u>2020</u>
Trade payables	1,253,454	2,226,076
Other payables	9,199,920	10,359,502
Total trade and other payables	<u>10,453,374</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:

	<u>2021</u>	<u>2020</u>
0–180 days	1,001,731	1,987,792
181–360 days	41,011	238,284
Over 360 days	210,712	—
	<u>1,253,454</u>	<u>2,226,076</u>

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

13. SHARE CAPITAL

Issued and fully paid	2021		2020	
	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

Profit for the year attributable to owners of the Company for the year ended 31 December 2021 increased from HK\$2.03 million in 2020 to HK\$3.64 million for the year under review. Profit increase was mainly due to (i) Gain on deemed disposal of interest in an associate for the year ended 31 December 2021; (ii) Gain arising on change in fair value of investment properties for the year 2021.

The turnover of the Group for the year ended 31 December 2021 amounted to approximately HK\$23.43 million, representing an decrease of approximately 8.80% from approximately HK\$25.69 million in the corresponding period of previous year. The decrease is mainly due to the decrease in business volume of leasing operation in Hong Kong during the period under review.

Given our good balance sheet status and cash generation ability, our financial position continues to be strong. As at 31 December 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 0.33% (31 December 2020: 0.61%).

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 year ended 31 December 2021, the turnover of the hotel operation was approximately HK\$18.28 million (2020: HK\$18.69 million), representing a decrease of approximately 2.19% from the corresponding period of last year.

For the period under review, the average occupancy rate was approximately 36.56% (2020: 42.09%), representing a decrease of 13.14% over the corresponding period of last year. Average daily rate (ADR) was approximately RMB319 (2020: RMB296) representing a increase of 7.77% 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 2021, together with comparative figures as of 31 December 2020:

	31 December 2021		31 December 2020	
	HK\$ in thousand	% of revenue	HK\$ in thousand	% of revenue
Accommodation revenue	10,181	56%	9,482	51%
Catering revenue	6,041	33%	6,897	37%
Rental revenue	1,385	8%	1,638	9%
Others	673	3%	676	3%
	18,280	100%	18,693	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\$10.18 million, representing a increase of approximately 7.37% 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 54.15% 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\$6.04 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.

Operational Review (continued)

A. Star-rated hotel operation (continued)

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\$1.39 million in rental revenue during the year under review, representing approximately 8% 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 year under review, the rental income of the properties in Hong Kong was approximately HK\$5.15 million, compared to last year representing a decrease of approximately 26.43%. The decrease is mainly due to a unit unoccupied during the period. The Group recorded approximately HK\$7 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 return 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 year under review (2020: profit of approximately HK\$0.6 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 reduced to 25.19%. FHIG will own 64.81% and FMEC 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\$3.46 million Hong Kong dollars of deemed disposal income from the above-mentioned capital increase process during the period.

For the year ended 31 December 2021, the interest in finance leasing contributed approximately HK\$7.41 million profit for the year (2020: HK\$9.09 million).

Future Development

Looking forward, the Group will adhere to the corporate strategy using investment management and operation management as a core for the achievement in 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, the Group will establish a group level multi-dimensional operation support system, optimize the internal process and improve the management efficiency, standardize and plan the future development strategy of the enterprise by innovative thinking and comprehensively stimulate and enhance the potential and internal value of the enterprise resources.

In 2022, the economic performance continues to face with challenges due to the outbreak of 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 and other industries.

The Group will strive to grasp the opportunity presented by the reform of state owned assets, accelerate institutional reform, further strengthen, enrich and optimize the configuration of the management team, bring into full play of 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 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 and create the best interests for all shareholders.

Financial Review

Capital Structure

As at 31 December 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 31 December 2021, the Group had a net cash balance of approximately HK\$49.52 million (2020: HK\$55.70 million). The Group's net asset value (assets less liabilities) was approximately HK\$429.66 million (2020: HK\$422.91 million), with a liquidity ratio (ratio of current assets to current liabilities) of 4.83 (2020: 4.16). 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.

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.

Financial Review (continued)

Charge on Assets

As at 31 December 2021, the Group had not charged any of its assets. (2020: 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.

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Bank Loans and Other Borrowings

There was no outstanding bank loan and other borrowing by the Company and the Group as at 31 December 2021 (2020: Nil).

Capitalised Borrowing Costs

No borrowing cost was being capitalised during the year ended 31 December 2021 (2020: 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.

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.

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.

Financial Review (continued)

Capital Expenditure and Commitment

During the year under review, the Group's capital expenditure was HK\$1.17 million (2020: HK\$0.63 million). There was no outstanding capital commitments as at 31 December 2021 and 2020.

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 2021.

Human Resources

As at 31 December 2021, the Group had approximately 110 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 2021.

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 2021.

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 2021, 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\$235.80 million.

Particulars of investment property interests held by the Group at 31 December 2021 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%

CORPORATE GOVERNANCE PRACTICES

To create a long term value for the interests of the Shareholders is the Board's main objective. As such, the Board is highly committed to achieving a high standard of corporate governance and striving to maintain the management practices in a transparent and responsible way. The Board reviews and improves the Group's corporate governance practices and business ethics on an ongoing basis.

For the year ended 31 December 2021 and up to the date of this annual report, the Company complied with all the code provisions, where applicable, as set out in the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report 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**").

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 2021 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.

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 2021 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 2021. 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 2021 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 Danyun
Executive Director

Hong Kong, 28 March 2022

As at the date of this announcement, the existing Board of Directors comprises eight Directors, including two Executive Directors, namely 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.