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閩 港 控 股 有 限 公 司
FUJIAN HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 00181)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

FINANCIAL HIGHLIGHT	2022	2021
	HK\$'000	HK\$'000
Revenue	18,898	23,427
(Loss)/Profit attributable to owners of the Company	(14,308)	3,641
(Loss)/Earnings per share		
Basic (<i>HK cents per share</i>)	(1.25)	0.32
Diluted (<i>HK cents per share</i>)	(1.25)	0.32

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 2022, together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022 (in HK Dollars)

	<i>Notes</i>	2022	2021
Revenue	4	18,898,404	23,427,213
Other income	6	318,271	328,978
Other gains and losses	7	(2,473,799)	3,054,012
Employee benefits expense		(11,227,512)	(11,947,750)
Depreciation of property, plant and equipment		(3,765,086)	(3,988,799)
Depreciation of right-of-use assets		(3,076,609)	(3,255,587)
Finance costs		(96,737)	(28,986)
Share of profit of associates		4,332,636	7,346,545
(Loss)/Gain on deemed disposal of an associate		(2,085,554)	3,462,133
Other operating expenses		(13,725,543)	(15,714,627)
(Loss)/Profit before tax		(12,901,529)	2,683,132
Income tax (expense)/credit	8	(1,406,268)	957,447
(Loss)/Profit for the year attributable to owners of the Company		(14,307,797)	3,640,579

	<i>Notes</i>	2022	2021
Other comprehensive (expense)/income attributable to owners of the Company			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(10,966,105)	4,854,808
Exchange differences reclassified to profit or loss upon:			
Deemed disposal of an associate		(1,862,871)	(1,738,228)
		<u>(12,828,976)</u>	<u>3,116,580</u>
Other comprehensive (expense)/income for the year attributable to owners of the Company, net of income tax		(12,828,976)	3,116,580
		<u>(12,828,976)</u>	<u>3,116,580</u>
Total comprehensive (expense)/income for the year attributable to owners of the Company		(27,136,773)	6,757,159
		<u>(27,136,773)</u>	<u>6,757,159</u>
(Loss)/Earnings per share			
Basic (HK cents per share)	<i>10</i>	(1.25)	0.32
		<u>(1.25)</u>	<u>0.32</u>
Diluted (HK cents per share)	<i>10</i>	(1.25)	0.32
		<u>(1.25)</u>	<u>0.32</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022 (in HK Dollars)

	<i>Notes</i>	2022	2021
Non-current assets			
Property, plant and equipment		12,596,501	16,264,079
Right-of-use assets		6,924,353	7,570,121
Investment properties		234,900,000	235,800,000
Interest in associates		14,513,460	128,507,445
Financial assets at fair value through profit or loss		104,515,000	–
Deferred tax assets		–	1,886,819
		373,449,314	390,028,464
Current assets			
Inventories		285,767	293,550
Trade and other receivables	<i>11</i>	970,883	1,918,563
Cash and bank balances		39,730,957	49,520,268
		40,987,607	51,732,381
Current liabilities			
Trade and other payables	<i>12</i>	9,503,695	10,453,374
Lease liabilities		1,234,573	239,739
		10,738,268	10,693,113
Net current assets		30,249,339	41,039,268
Total assets less current liabilities		403,698,653	431,067,732

	<i>Notes</i>	2022	2021
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	<i>13</i>	898,839,029	898,839,029
Reserves		(496,314,789)	(469,178,016)
Total equity		<u>402,524,240</u>	<u>429,661,013</u>
Non-current liabilities			
Lease liabilities		248,245	–
Deferred tax liabilities		926,168	1,406,719
		<u>1,174,413</u>	<u>1,406,719</u>
		<u><u>403,698,653</u></u>	<u><u>431,067,732</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (in HK Dollars)

1. BASIS OF PREPARATION

Statement of compliance

The financial information relating to the years ended 31 December 2022 and 2021 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 2022 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.

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 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
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	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2024

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.

4. REVENUE

An analysis of revenue is as follows:

	2022	2021
Revenue from other sources		
— Gross rental income	4,511,972	5,146,981
Revenue from contracts with customers		
— Hotel operations	<u>14,386,432</u>	<u>18,280,232</u>
	<u><u>18,898,404</u></u>	<u><u>23,427,213</u></u>

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	
	2022	2021	2022	2021	2022	2021
REPORTABLE SEGMENT						
REVENUE						
Revenue from external customers	<u>4,511,972</u>	<u>5,146,981</u>	<u>14,386,432</u>	<u>18,280,232</u>	<u>18,898,404</u>	<u>23,427,213</u>
REPORTABLE SEGMENT						
RESULT						
Segment result before other gains and losses:	3,049,200	4,883,958	(9,575,535)	(5,965,226)	(6,526,335)	(1,081,268)
Net (decrease)/increase in fair value of investment properties	<u>(900,000)</u>	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>(900,000)</u>	<u>2,000,000</u>
Segment result	2,149,200	6,883,958	(9,575,535)	(5,965,226)	(7,426,335)	918,732
Unallocated (expense)/income					(2,251,464)	114,412
Finance costs					(96,737)	(28,986)
Corporate administration costs					(5,374,075)	(9,129,704)
Share of profit of associates					4,332,636	7,346,545
(Loss)/Gain on deemed disposal of an associate					<u>(2,085,554)</u>	<u>3,462,133</u>
(Loss)/Profit before tax					(12,901,529)	2,683,132
Income tax (expense)/credit					<u>(1,406,268)</u>	<u>957,447</u>
(Loss)/Profit for the year					<u>(14,307,797)</u>	<u>3,640,579</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2021: 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.

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	
	2022	2021	2022	2021	2022	2021
ASSETS						
Segment assets	242,295,594	244,326,222	52,981,258	66,662,719	295,276,852	310,988,941
Interest in associates					14,513,460	128,507,445
Financial assets at fair value through profit or loss					104,515,000	–
Unallocated corporate assets					131,609	2,264,459
Consolidated total assets					<u>414,436,921</u>	<u>441,760,845</u>
LIABILITIES						
Segment liabilities	(3,248,483)	(2,123,578)	(6,818,855)	(7,443,232)	(10,067,338)	(9,566,810)
Unallocated corporate liabilities					(1,845,343)	(2,533,022)
Consolidated total liabilities					<u>(11,912,681)</u>	<u>(12,099,832)</u>

All assets are allocated to operating segments other than interest in associates, financial assets at fair value through profit or loss, 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	
	2022	2021	2022	2021	2022	2021
Other segment information						
Additions to non-current assets	2,479,491	–	568,358	1,169,597	3,047,849	1,169,597
Depreciation of property, plant and equipment	20,313	20,963	3,744,773	3,967,836	3,765,086	3,988,799
Depreciation of right-of-use assets	1,202,602	1,381,580	1,874,007	1,874,007	3,076,609	3,255,587
Net decrease/(increase) in fair value of investment properties	900,000	(2,000,000)	–	–	900,000	(2,000,000)
Loss on disposal of property, plant and equipment	–	–	6,828	5,003	6,828	5,003

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 financial assets at fair value through profit or loss and deferred tax assets is presented based on the geographical location of assets are detailed below:

	Revenue from external customers		Non-current assets	
	2022	2021	2022	2021
Mainland China	14,386,432	18,280,232	32,463,623	152,027,523
Hong Kong	4,511,972	5,146,981	236,470,691	236,114,122
	<u>18,898,404</u>	<u>23,427,213</u>	<u>268,934,314</u>	<u>388,141,645</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 2022 and 2021.

6. OTHER INCOME

	2022	2021
Bank interest income	50,854	49,975
Government grants (<i>Note</i>)	139,696	91,575
Others	127,721	187,428
	<u>318,271</u>	<u>328,978</u>

Note:

During the current year, the Group recognised government grants of HK\$72,000 (2021: HK\$91,575) 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. The amount of HK\$67,696 were government subsidies granted to a subsidiary in the Mainland China.

7. OTHER GAINS AND LOSSES

	2022	2021
Net (decrease)/increase in fair value of investment properties	(900,000)	2,000,000
(Loss)/Gain arising on change in fair value of financial assets at fair value through profit or loss	(1,573,866)	1,029,205
Loss on disposal of property, plant and equipment	(6,828)	–
Net foreign exchange gains	6,895	24,807
	<u>(2,473,799)</u>	<u>3,054,012</u>

8. INCOME TAX

	2022	2021
Deferred tax:		
Current year	<u>1,406,268</u>	<u>(957,447)</u>
Total income tax expense/(credit) recognised in profit or loss	<u><u>1,406,268</u></u>	<u><u>(957,447)</u></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 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.

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 year (2021: 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.

No provision for PRC Enterprise Income Tax has been made in the consolidated financial statements as the PRC subsidiaries incurred losses for taxation purposes for the year (2021: Nil).

9. PROFIT FOR THE YEAR

	2022	2021
Profit for the year has been arrived at after (crediting)/charging:		
Gross rental income from investment properties	(4,511,972)	(5,146,981)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	<u>260,170</u>	<u>280,498</u>
	<u>(4,251,802)</u>	<u>(4,866,483)</u>
Employee benefits expense (including directors' remunerations):		
Salaries and other benefits in kind	10,267,791	11,166,537
Contributions to retirement benefit scheme	<u>959,721</u>	<u>781,213</u>
	<u>11,227,512</u>	<u>11,947,750</u>
Depreciation of right-of-use assets	3,076,609	3,255,587
Depreciation of hotel property	2,449,064	2,449,064
Depreciation of other property, plant and equipment	<u>1,316,022</u>	<u>1,539,735</u>
Total depreciation	<u>6,841,695</u>	<u>7,244,386</u>
Auditors' remuneration	<u>780,000</u>	<u>780,000</u>

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share for the years ended 31 December 2022 and 2021 are based on the Group's profit attributable to the owners of the Company is based on the following data:

	2022	2021
Profit		
(Loss)/Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>(14,307,797)</u>	<u>3,640,579</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 2022 and 2021 were presented as there were no potential ordinary shares in issue for both 2022 and 2021.

11. TRADE AND OTHER RECEIVABLES

	2022	2021
Trade receivables	378,603	886,331
Loss allowance	<u>(115,717)</u>	<u>(126,426)</u>
	<u>262,886</u>	<u>759,905</u>
Other receivables, utility deposits and prepayments	13,405,258	15,031,068
Loss allowance	<u>(12,697,261)</u>	<u>(13,872,410)</u>
	<u>707,997</u>	<u>1,158,658</u>
Total trade and other receivables	<u>970,883</u>	<u>1,918,563</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.

	2022	2021
0–30 days	365,562	880,526
31–60 days	13,041	–
61–90 days	–	–
91–180 days	–	5,805
	<u>378,603</u>	<u>886,331</u>
Less: Loss allowance	<u>(115,717)</u>	<u>(126,426)</u>
	<u>262,886</u>	<u>759,905</u>

12. TRADE AND OTHER PAYABLES

	2022	2021
Trade payables	1,103,193	1,253,454
Other payables	6,783,074	7,220,332
Rental deposit received	1,617,428	1,979,588
	<hr/>	<hr/>
Total trade and other payables	<u>9,503,695</u>	<u>10,453,374</u>

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

	2022	2021
0–180 days	728,335	1,001,731
181–360 days	127,398	41,011
Over 360 days	247,460	210,712
	<hr/>	<hr/>
	<u>1,103,193</u>	<u>1,253,454</u>

The average credit period is 60 days (2021: 60 days).

13. SHARE CAPITAL

	2022		2021	
	<i>Number of shares</i>	<i>HK\$</i>	<i>Number of shares</i>	<i>HK\$</i>
Issued and fully paid				
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, 2022, the Group recorded net loss attributable to owners of the Company of approximately HK\$14.31 million (31 December 2021: profit of HK\$3.64 million). The Group's net loss is mainly attributable to a series of uncontrollable factors as explained below, as well as the decline in the number of tourists for the Group's hotel in Mainland China and office tenants have delayed or suspended office leases which negatively affected the financial performance of the Group.

Deemed disposal of interest in associate

As the goodwill arising from the deemed disposal of interest in associate is less than the prior year and combined with the impact of a home currency depreciation during the period, a loss incurred on the deemed disposal of interest in associate of approximately HK\$2.09 million for the year ended 31 December 2022 as compared to a profit of HK\$3.46 million for the year ended 31 December 2021.

Fair value of investment properties

As the Hong Kong Grade A office market is constantly under pressure, there was a net decrease in fair value of investment property of HK\$0.9 million for the year ended 31 December 2022 as compared to a net increase in fair value of investment properties of HK\$2 million for the year ended 31 December 2021.

Income tax expense/credit

Due to the reversal of a deferred tax assets of approximately HK\$1.89 million during the year, there was a debit incurred on income tax of approximately HK\$1.41 million for the year ended 31 December 2022 as compared to a credit of HK\$0.96 million for the year ended 31 December 2021.

Share of loss of an associate

Due to the adverse market conditions during the year, there was a share of loss of an associate (Fuzhou Harmony Piano Co., Ltd. PRC) of approximately HK\$1.74 million for the year ended 31 December 2022 as compared to a share of loss of an associate of HK\$0.06 million for the year ended 31 December 2021.

An associate ceased to be an associate during the year

In August 2022, the registered capital of the joint venture company of our company, Fujian Huamin Leasing Co., Ltd., (“Fujian Huamin Leasing”) has increased from RMB270,000,000 to RMB500,000,000. After the capital increase is completed, our company’s equity in Fujian Huamin Leasing reduced to 18.44%.

For the year ended 31 December 2022, the interest in finance leasing contributed approximately HK\$6.06 million profit for the period (31 December 2021: profit of approximately HK\$7.28 million).

Gain arising on change in fair value of financial assets at fair value through profit and loss and interest income

As the interest rate in mainland kept decreasing during the year and part of the financial asset loss arising on change in fair value through profit and loss, net loss arising on change in fair value of financial assets at fair value through profit and loss approximately HK\$1.57 million. Compared to a net gain arising on change in fair value of financial assets at fair value through profit and loss totaling of HK\$1.03 million for the year ended 31 December 2021.

Reduce in turnover and cost control

Due to weak market sentiment mentioned above, turnover of the group reduced to approximately HK\$18.90 million for the year ended 31 December 2022 as compared to HK\$23.40 million for the year ended 31 December 2021. After exercising more cost control which resulted in a decrease in staff cost from continuing operation approximately HK\$0.70 million for the year ended 31 December 2022.

Given our good balance sheet status and cash generation ability, our financial position continues to be strong. As at 31 December 2022, the gearing ratio (divided non-current liabilities by equity plus non-current liabilities multiple by 100 which results in percentage) of the Group was 0.29% (31 December 2021: 0.33%).

The Group has maintained a low debt-to-equity ratio and has sufficient liquid funds. Faced with a rapidly changing environment, the Group has implemented cost-saving measures, further strengthening cost control and minimizing cash expenditures. In the context of the ongoing pandemic, the Group prioritizes employee safety, strengthens internal training and development, and improves rules and regulations. The Group is actively seeking suitable primary reserve projects to prepare for its sustainable development in the next phase.

OPERATIONAL REVIEW

A. Star-rated hotel operation

Star-rated hotel operation is the main source of revenue for the Group. Based on the hotel location and its current facility structure, the hotel is positioned as a leisure and business hotel, expanding its sources of conference and training clients. It will also increase cultural cultivation such as the ‘Comrade’s Home’, ‘Chamber of Commerce Home’, ‘Calligrapher’s Home’ and ‘Aid Friend’s Home’, and establish an ‘Education and Training Base’.

For the period under review, the average occupancy rate was approximately 25.61% (2021: 36.56%), representing a decrease of 29.95% over the corresponding period of last year. Average daily rate (ADR) was approximately RMB305 (2021: RMB319) representing a decrease of 4.39% 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 year ended 31 December 2022, together with comparative figures as of 31 December 2021:

	31 December 2022		31 December 2021	
	<i>HK\$ in thousand</i>	<i>% of revenue</i>	<i>HK\$ in thousand</i>	<i>% of revenue</i>
Accommodation revenue	6,198	43%	10,181	56%
Catering revenue	6,244	43%	6,041	33%
Rental revenue	1,157	8%	1,385	8%
Others	787	6%	673	3%
	14,386	100%	18,280	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\$6.20 million, representing a decrease of approximately 39.12% over the corresponding period of 2021.

Affected by weak market sentiment of the domestic tourism industry, the operating income of the hotel industry has declined periodically and the rigid expenditure of operating costs cannot be reduced, which brings challenges to the industry. During the period under review, the source of customers accounted approximately 59% of the total source, 4 percentage points more than approximately 55% in the same period of last year. The Group will continue to increase its market expansion efforts and implement strict cost control measures, seeking to further improve operational efficiency to minimize adverse impacts.

Catering revenue

Since 2015, the hotel has vigorously developed its group catering business. During the review period, the group generated approximately HK\$6.24 million in revenue, accounting for approximately 43% of the hotel business turnover, a increase of 10 percentage points over 33% in the same period last year.

High-quality customer service, a rich cultural atmosphere, and a good geographical location are the core competitive advantages of the hotel. The hotel management is taking proactive measures to respond to the pandemic, improving its internal strength, expanding diversified operations, and launching food and beverage sales functions. It is consolidating its wedding banquet business and strengthening its online and offline business for events such as the Mid-Autumn Festival mooncake banquet, year-end party, and teacher appreciation banquet. It is also strengthening its online sales cooperation with banquet network platforms such as “Wedding100” and “Yangege” to achieve greater results in the expansion and extension of banquets and group meals.

Looking ahead, as the impact of the pandemic on the economy continues to diminish, the demand for leisure travel and business trips is gradually being released. Confidence in the domestic hotel market is gradually being restored, and hotel business is gradually returning to normal.

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\$1.16 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

Due to uncertain economic factors, the market participation rate was lower in the leasing market this year. At the same time, the Hong Kong Grade A office market continued to be under pressure, with delays or suspensions in office lease decisions by tenants, resulting in a rental rate of only about 90% for the Group's invested property projects during the review period. After the full opening of Hong Kong in 2023, office leasing demand will gradually recover, but the increase in supply will lead to a continuous increase in overall vacancy rate, and demand is still weak. Therefore, it is expected that the rental market for commercial properties will still face pressure.

During the period under review, the rental income of the properties in Hong Kong was approximately HK\$4.51 million, compared to the corresponding period of last year representing a decrease of approximately 12%.

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\$1.74 million for the period under review due to declining market sales and rising manufacturing costs. (2021: loss of approximately HK\$0.06 million).

D. Finance Leasing

According to the business development needs of Fujian Huamin Financing Leasing Co., Ltd. ("Fujian Huamin Leasing"), the registered capital of the joint venture company of our company, Fujian Huamin Leasing, has increased from RMB270,000,000 to RMB500,000,000. After the capital increase is completed, our company's equity in Fujian Huamin Leasing will be reduced to 18.44%; Fujian Huamin Industrial Group Company Limited ("FHIG") holds 74.24% of the equity of Fujian Huamin Leasing, and Fujian Mingang Enterprises Co., Ltd ("FMEC") holds 7.32% of the equity of Fujian Huamin Leasing. In addition, the total share premium generated from this capital increase settlement is approximately RMB680,000, which will be included in its capital reserve during the period in which it is generated.

For the year ended 31 December 2022, the interest in finance leasing contributed approximately HK\$6.06 million profit for the period (31 December 2021: profit of approximately HK\$7.41 million).

FUTURE DEVELOPMENT

Improving operational efficiency and driving revenue growth remain the group's top priorities in 2023. The Group will continue to use investment and operation management as the core driver of enterprise value growth: continuously search assets with healthy profitability and excellent growth potential as long-term investment through our concept of investment management. On the other hand, Our Group will optimize its internal process and improve management efficiency so as to enhance the potential and intrinsic value of enterprise resources.

FINANCIAL REVIEW

Capital Structure

As at 31 December 2022, 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 2022, the Group had a net cash balance of approximately HK\$39.73 million (2021: HK\$49.52 million). The Group's net asset value (assets less liabilities) was approximately HK\$402.54 million (2021: HK\$429.66 million), with a liquidity ratio (ratio of current assets to current liabilities) of 3.82 (2021: 4.83). 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.

Charge on Assets

As at 31 December 2022, the Group had not charged any of its assets (2021: 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 2022 (2021: Nil).

Capitalised Borrowing Costs

No borrowing cost was being capitalised during the year ended 31 December 2022 (2021: 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.

Capital Expenditure and Commitment

During the year under review, the Group's capital expenditure was HK\$0.62 million (2021: HK\$1.17 million). There was no outstanding capital commitments as at 31 December 2022 and 2021.

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 2022.

Human Resources

As at 31 December 2022, 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 2022.

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 2022.

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 2022, 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\$234.90 million.

Particulars of investment property interests held by the Group at 31 December 2022 are as follows:

Investment properties	Leasehold expiry	Gross floor area (square feet)	Year of completion	Group’s attributable interest
Hong Kong				
Commercial				
Shop Nos. 1, 3 and 4 on Ground Floor together with open yard adjoining thereto and the whole of First and Second Floors, Sun Ming Court, Nos. 84–90 Castle Peak Road, Sham Shui Po, Kowloon	2047	10,464	1981	50%
Units A, C and D on 21st Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong	2047	8,340	1967	100%
Others				
Motor cycle parking space Nos. 54, 55, 56, 57 and 58 of Yuet Ming Building, No. 52 Yuet Wah Street, Kwun Tong, Kowloon	2047	–	1975	100%

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 2022 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**").

DISTRIBUTABLE RESERVES

There was no Company's reserve available for distribution to shareholders as at 31 December 2022 (2021: Nil).

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 2022 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.

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 announcement.

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 2022 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 2022. 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 2022 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
Lin Nuchao
Executive Director

Hong Kong, 24 March 2023

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