FUJIAN HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00181)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHT

	2016	2015
	HK$'000	*HK$'000*
Revenue	**28,827**	25,706
Profit/(loss) attributable to owners of the Company	**1,666**	(2,136)
Earnings/(loss) per share		
Basic *(HK cents per share)*	**0.18**	(0.33)
Diluted *(HK cents per share)*	**0.18**	(0.33)

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 2016, together with the comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016 (in HK Dollars)

	Notes	**2016**	2015
Revenue	*4*	**28,827,481**	25,706,315
Other income	*6*	**1,122,232**	512,521
Other gains and losses	*7*	**8,976,484**	4,948,249
Employee benefits expense		**(12,024,609)**	(11,088,352)
Depreciation		**(5,501,843)**	(5,214,768)
Amortisation of prepaid lease payment		**(1,874,007)**	(1,874,007)
Share of (loss)/profit of an associate		**(354,057)**	1,819,083
Other operating expenses		**(17,657,606)**	(17,754,376)
Profit/(loss) before tax		**1,514,075**	(2,945,335)
Income tax credit	*8*	**41,207**	809,167
Profit/(loss) for the year	*9*	**1,555,282**	(2,136,168)
Other comprehensive expense for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(1,947,266)**	(2,117,268)
Other comprehensive expense for the year net of income tax		**(1,947,266)**	(2,117,268)
Total comprehensive expense for the year		**(391,984)**	(4,253,436)
Profit/(loss) for the year attributable to:			
Owners of the Company		**1,665,501**	(2,136,168)
Non-controlling interest		**(110,219)**	—
		1,555,282	(2,136,168)
Total comprehensive expense attributable to:			
Owners of the Company		**(276,453)**	(4,253,436)
Non-controlling interest		**(115,531)**	—
		(391,984)	(4,253,436)
Earnings/(loss) per share			
Basic (HK cents per share)	*10*	**0.18**	(0.33)
Diluted (HK cents per share)	*10*	**0.18**	(0.33)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016 (in HK Dollars)

	Notes	**2016**	2015
Non-current assets			
Property, plant and equipment		**33,953,033**	35,993,029
Prepaid lease payment		**16,709,888**	18,583,895
Investment properties		**218,500,000**	45,450,000
Finance lease receivable	13	**46,394,116**	—
Interest in an associate		**15,361,501**	16,767,744
Deferred tax assets		**1,894,269**	1,894,269
		332,812,807	118,688,937
Current assets			
Inventories		**223,214**	324,666
Finance lease receivable	13	**9,502,409**	—
Trade and other receivables	11	**2,491,924**	1,493,295
Cash and bank balances		**100,039,994**	127,321,976
		112,257,541	129,139,937
Current liabilities			
Trade and other payables	12	**11,121,764**	8,257,344
Net current assets		**101,135,777**	120,882,593
Total assets less current liabilities		**433,948,584**	239,571,530
Capital and reserves			
Share capital	14	**898,839,029**	747,839,049
Reserves		**(513,266,025)**	(512,989,572)
Equity attributable to owners of the Company		**385,573,004**	234,849,477
Non-controlling interest		**43,702,033**	—
Total equity		**429,275,037**	234,849,477
Non-current liabilities			
Deferred tax liabilities		**4,673,547**	4,722,053
		433,948,584	239,571,530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Statement of compliance

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2016 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by the way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap. 622).

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group has not applied any new standards or interpretations that are not yet effective for the current accounting year.

2. GENERAL

Fujian Holdings Limited (the "Company") is incorporated in Hong Kong as a public limited company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is HC Technology Capital Company Limited, a company incorporated in the British Virgin Islands and its ultimate holding company is Fujian Tourism Development Group Company Limited ("FTDC"), a state-owned corporation in the People's Republic of China (the "PRC"). The addresses of the registered office and principal place of business of the Company is Room 3306–08, 33/F, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are investment holding, property investment in Hong Kong and hotel operations in the PRC.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Annual Improvements Project	Annual Improvements to 2012–2014 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrecognised Losses[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]

[1] *Effective for annual periods beginning on or after 1 January 2017.*
[2] *Effective for annual periods beginning on or after 1 January 2018.*
[3] *Effective for annual periods beginning on or after 1 January 2019.*
[4] *Effective for annual periods beginning on or after a date to be determined.*

4. REVENUE

	2016	2015
Gross rental income from letting of investment properties	**2,999,966**	1,385,934
Revenue from hotel operations	**25,827,515**	24,320,381
	28,827,481	25,706,315

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 focusing 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	
	2016	2015	**2016**	2015	**2016**	2015
REPORTABLE SEGMENT REVENUE						
Revenue from external customers	**2,999,966**	1,385,934	**25,827,515**	24,320,381	**28,827,481**	25,706,315
REPORTABLE SEGMENT RESULT						
Segment result before other gains and losses:	**2,842,461**	1,317,235	**(1,080,028)**	(5,068,124)	**1,762,433**	(3,750,889)
Net increase in fair value of investment properties	**9,390,500**	4,000,000	**—**	—	**9,390,500**	4,000,000
Segment result	**12,232,961**	5,317,235	**(1,080,028)**	(5,068,124)	**11,152,933**	249,111
Unallocated (expenses)/income					**(375,449)**	792,706
Corporate administration costs					**(8,909,352)**	(5,806,235)
Share of (loss)/profit of an associate					**(354,057)**	1,819,083
Profit/(loss) before tax					**1,514,075**	(2,945,335)
Income tax credit					**41,207**	809,167
Profit/(loss) for the year					**1,555,282**	(2,136,168)

5. SEGMENT REPORTING (CONTINUED)

Segment revenue and results (continued)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2015: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/loss represents the profit earned by/loss from each segment without allocation of bank interest income and other unallocated income, central administration costs including director's remuneration, share of profit/(loss) of an associate and income tax credit. This is the measure reported to the chief operating decision maker 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	
	2016	2015	**2016**	2015	**2016**	2015
ASSETS						
Segment assets	**262,826,708**	152,546,625	**74,573,619**	76,537,167	**337,400,327**	229,083,792
Interest in an associate					**15,361,501**	16,767,744
Unallocated corporate assets					**92,308,520**	1,977,338
Consolidated total assets					**445,070,348**	247,828,874
LIABILITIES						
Segment liabilities	**(1,161,420)**	(963,701)	**(8,214,533)**	(7,273,643)	**(9,375,953)**	(8,237,344)
Unallocated corporate liabilities					**(6,419,358)**	(4,742,053)
Consolidated total liabilities					**(15,795,311)**	(12,979,397)

For the purposes of monitoring segment performance and allocating resources between segments:

All assets are allocated to operating segments other than interest in an associate, deferred tax assets, finance lease receivable and certain cash and bank balances.

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

5. SEGMENT REPORTING (CONTINUED)

Other segment information

	Property investment		Hotel operations		Total	
	2016	2015	**2016**	2015	**2016**	2015
Other segment information						
Additions to non-current assets	**163,915,741**	6,200	**3,859,418**	4,312,297	**167,775,159**	4,318,497
Depreciation of property, plant and equipment	**73,439**	37,106	**5,428,404**	5,177,662	**5,501,843**	5,214,768
Amortisation of prepaid lease payment	**—**	—	**1,874,007**	1,874,007	**1,874,007**	1,874,007
Net increase in fair value of investment properties	**(9,390,500)**	(4,000,000)	**—**	—	**(9,390,500)**	(4,000,000)
Loss on disposal and written-off of property, plant and equipment	**2,897**	12,364	**1,838**	—	**4,735**	12,364
Impairment loss recognised on other receivables	**—**	—	**2,053**	15,126	**2,053**	15,126

Geographical information

The Group operates in two principal geographical areas — the People's Republic of China (excluding Hong Kong) (the "PRC") and Hong Kong.

The Group's revenue from external customers is presented based on the location of the operations and information about the Group's non-current assets are presented based on the geographical location of assets are details as follow:

	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
PRC	**25,827,515**	24,320,381	**112,189,159**	71,295,196
Hong Kong	**2,999,966**	1,385,934	**220,623,648**	47,393,741
	28,827,481	25,706,315	**332,812,807**	118,688,937

Information about major customers

No external customers of the Group contributed over 10% of the Group's revenue for the years ended 31 December 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. OTHER INCOME

	2016	2015
Bank interest income	**797,675**	350,167
Consultancy income	**4,745**	—
Finance lease interest income	**24,237**	—
Others	**295,575**	162,354
	1,122,232	512,521

7. OTHER GAINS AND LOSSES

	2016	2015
Net increase in fair value of investment properties	**9,390,500**	4,000,000
Gain arising on change in fair value of financial assets designated as at fair value through profit or loss	**473,198**	533,201
Impairment loss recognised on other receivables	**(2,053)**	(15,126)
Loss on disposal and written-off of property, plant and equipment	**(4,735)**	(12,364)
Net foreign exchange (losses)/gains	**(880,426)**	442,538
	8,976,484	4,948,249

8. INCOME TAX CREDIT

	2016	2015
Current tax:		
PRC Enterprise Income tax	**7,299**	—
Deferred tax:		
Current year	**(48,506)**	(809,167)
Total income tax credit recognised in profit or loss	**(41,207)**	(809,167)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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 (2015: Nil).

The provision for PRC Enterprise Income Tax is calculated at 25% (2015: 25%) on the assessable profit of the Group's PRC subsidiaries as determined in accordance with the relevant income tax rules and regulations in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. PROFIT/(LOSS) FOR THE YEAR

	2016	2015
Profit/(Loss) for the year has been arrived at after charging/(crediting):		
Gross rental income from investment properties	**(2,999,966)**	(1,385,934)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	**354,870**	53,164
	(2,645,096)	(1,332,770)
Employee benefits expense (including directors' remunerations):		
Salaries and other benefits	**11,269,308**	10,293,994
Contributions to retirement benefits schemes	**755,301**	794,358
	12,024,609	11,088,352
Depreciation of hotel property	**2,449,064**	2,449,064
Depreciation of other property, plant and equipment	**3,052,779**	2,765,704
	5,501,843	5,214,768
Amortisation of prepaid lease payment	**1,874,007**	1,874,007
Total depreciation and amortisation	**7,375,850**	7,088,775
Auditors' remuneration	**600,000**	580,000
Cost of inventories recognised as other operating expenses	**—**	676,578

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share for the years ended 31 December 2016 and 2015 are based on the Group's profit/(loss) attributable to the owners of the Company is based on the following data:

	2016	2015
Profit/(loss)		
Profit/(loss) for the year attributable to owners of the Company for the purposes of basic and diluted earnings/(loss) per share	**1,665,501**	(2,136,168)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earning/(loss) per share	**932,075,448**	654,992,877

11. TRADE AND OTHER RECEIVABLES

	2016	2015
Trade receivables	**952,376**	711,057
Less: Allowance for doubtful debts	**(70,189)**	(74,942)
	882,187	636,115
Other receivables, utility deposits and prepayments	**16,130,649**	16,376,053
Less: Allowance for doubtful debts	**(14,520,912)**	(15,518,873)
	1,609,737	857,180
Total trade and other receivables	**2,491,924**	1,493,295

The Group allows an average credit period of 45 days (2015: 75 days) to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debt presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2016	2015
Current to six months	**834,656**	545,911
Over six months and within one year	**895**	40,410
Over one year	**46,636**	49,794
	882,187	636,115

Included in the Group's trade receivable balances are debtors with aggregate amount of HK$47,531 (2015: HK$90,204) which are past due as at the end of the reporting date for which the Group has not provided for impairment loss.

12. TRADE AND OTHER PAYABLES

	2016	2015
Trade payables	**3,073,464**	1,318,851
Other payables	**8,048,300**	6,938,493
Total trade and other payables	**11,121,764**	8,257,344

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

	2016	2015
Current to six months	**2,808,517**	1,200,263
Over six months and within one year	**55,066**	25,142
Over one year	**209,881**	93,446
	3,073,464	1,318,851

The average credit period is 60 days (2015: 75 days).

13. FINANCE LEASE RECEIVABLE

	2016	2015
Current portion of finance lease receivable	**9,502,409**	—
Non-current portion of finance lease receivable	**46,394,116**	—
	55,896,525	—

13. FINANCE LEASE RECEIVABLE (CONTINUED)

	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	**2016**	2015
Not later than one year	**12,705,280**	—	**9,502,409**	—
Later than one year and not later than five years	**48,951,381**	—	**46,394,116**	—
	61,656,661	—	**55,896,525**	
Less: unearned finance income	**(5,760,136)**	—	**NA**	—
Present value of minimum lease payments receivable	**55,896,525**	—	**55,896,525**	—
Less: Current portion of finance lease receivable			**9,502,409**	—
Non-current portion of finance lease receivable			**46,394,116**	—

14. SHARE CAPITAL

	2016 Number of shares	**2016** HK$	2015 Number of shares	2015 HK$
Issued and fully paid				
At 1 January	**801,360,000**	**747,839,049**	534,240,000	643,439,713
Issue of shares by way of open offer *(note (i))*	**—**	**—**	267,120,000	104,399,336
Recognition of equity-settled share-based payment *(note (ii))*	**344,186,000**	**150,999,980**	—	—
As 31 December	**1,145,546,000**	**898,839,029**	801,360,000	747,839,049

Notes:

(i) In August 2015, the Company raised gross proceeds of HK$106,848,000 by issuing 267,120,000 new shares in an open offer on the basis of one offer share for every two existing shares at a subscription price of HK$0.4 per offer share ("Open Offer'). The net proceeds, after deduction of related expenses, of HK$104,399,336 from the Open Offer is applied for financing new potential investment opportunities.

(ii) In August 2016, the Company allotted and issued 344,186,000 ordinary shares of approximately HK$0.43 per share as consideration for the acquisition of investment properties.

15. COMMITMENTS

	2016	2015
Commitments for the acquisition of property, plant and equipment	**1,893,508**	2,585,760

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 December 2016, the Group recorded net profit attributable to shareholders of approximately HK$1.66 million (2015: loss approximately HK$2.14 million). The profit was mainly due to the much higher gains arising on change in fair value of investment properties for the year 2016 when compared to the corresponding financial year. Without consider the relevant cost incurred on corporate exercise. The net effect of the increase was approximately HK$5.39 million in net increase in fair value of investment properties as compared with the correspondence period last year.

The turnover of the Group for the year ended 31 December 2016 amounted to approximately HK$28.83 million, representing an increased by approximately 12.14% as compared to approximately HK$25.71 million in the previous year. The increase is mainly due to the increase in business volume of star-rated hotel operation during the year under review.

Given our good balance sheet status and cash generation ability, our financial position continues to be strong. For the year ended 31 December 2016, the gearing ratio (divided non-current liabilities by equity plus non-current liabilities multiple by 100 which results in percentage) of the Group was 1.08% (2015: 2.01%).

Operational Review

A. Star-rated hotel operation

Star-rated hotel operation is the main source of revenue for the Group. For the year ended 31 December 2016, the turnover of the hotel was approximately HK$25.83 million (2015: HK$24.32 million), representing an increase of approximately 6.21% from the corresponding financial year.

For the year under review, the average occupancy rate was approximately 54.92% (2015: 50.87%), representing an increase of 7.96% over the previous year. Average daily rate (ADR) was approximately RMB251 (2015: RMB256 (restated)) representing a decrease of 2% over the corresponding financial 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 2016, together with comparative figures of 2015:

	31 December 2016		31 December 2015	
	Amount HK$'000	**% in turnover**	Amount HK$'000	% in turnover
			(Restated)	(Restated)
Accommodation revenue	**11,169**	**43%**	11,735	48%
Rental revenue	**5,842**	**23%**	5,478	23%
Catering	**8,008**	**31%**	6,901	28%
Others	**808**	**3%**	206	1%
	25,827	**100%**	24,320	100%

Operational Review (Continued)

A. Star-rated hotel operation (Continued)

Accommodation revenue

The accommodation revenue was mainly determined by the number of available rooms, occupancy rate and ADR of the Group's hotels. During the year under review, the accommodation revenue of star-rated hotels was approximately HK$11.17 million, representing a slightly decrease of approximately 4.82% over the corresponding period of 2015.

Rental revenue

In order to stabilize the income of the hotel operation, the hotel let out the shopping centre in the Group's hotel. This contributed to approximately HK$5.84 million in rental revenue during the year under review, representing approximately 23% of the hotel operation's turnover.

Catering revenue

Starting from the fourth quarter of 2015, the Group made a major effort to develop the catering business through the hotel, which generating revenue of approximately HK$8 million representing approximately 31% of the hotel operation's turnover.

Increasing costs arising from the operating environment, especially from increasing wages, remains the key challenge for the hotel industry. To overcome these adversities, the Group will continue to implement tight cost control measures and seek further improvement in operational efficiency to minimize the adverse impacts.

B. Hong Kong properties held by the Group

The occupancy rate for the properties of the Group in Hong Kong is nearly full during the year under review, which brought a steady rental income to the Group.

The rental income of the properties in Hong Kong was approximately HK$3 million, while the Group recorded approximately HK$1.39 million for the corresponding period of last year.

With the support of the stable local economy growth, we are confident in delivering continued revenue growth in 2017. Rental reversion and stable occupancy will drive revenue growth for the Group's properties.

Acquisition of investment property

Reference is made to the announcements of the Company dated 17 June 2016 and 11 August 2016 and the circular of the Company dated 25 July 2016. Terms used hereinafter are defined in the aforementioned announcemens and circular.

Operational Review (Continued)

B. Hong Kong properties held by the Group (Continued)

Acquisition of investment property (Continued)

On 17 June 2016, Champ Profit Asia Investment Limited (the "Purchaser") (a wholly-owned subsidiary of the Company) and Hua Min Tourism Company Limited (the "Vendor") entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Offices A, C and D of 21st Floor, Wing On House, No. 71 Des Voeux Road, Central, Hong Kong at a consideration of HK$148,000,000 (the "Consideration"); and the Company, HC Technology Capital Company Limited (the "Subscriber"), the controlling Shareholder of the Company which at that time beneficially held 425,830,722 Shares, representing approximately 53.14% of the issued share capital of the Company , the Vendor and the Purchaser entered into the Subscription Agreement pursuant to which the parties agreed that the Consideration shall be satisfied by the allotment of 344,186,000 Shares by the Company to the Subscriber at the subscription price of HK$0.43 per subscription share; and the payment by the Purchaser to the Vendor of the remaining purchase price, being HK$20, in cash. The resolution in relation to the Sale and Purchase Agreement, the Subscription Agreement and the transactions contemplated thereunder was approved at the EGM held on 11 August 2016 and the acquisition was completed in the financial year under review.

At that time, FTDC, through the Subscriber and Pinoge Company Limited, its wholly-owned subsidiaries, held 433,882,772 Shares (representing approximately 54.14% of the issued share capital of the Company). In addition, FTDC, through Fujian Huamin Industrial Group Company Limited, its wholly-owned subsidiary, held 100% issued share capital of the Vendor. As such, the Vendor and the Subscriber are connected persons of the Company. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transfer exceed 25% but below 100%, the Transfer constitutes a major and connected transaction of the Company subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Board considers that the above transfer would enlarge and diversify the Group's existing investment properties portfolio with high quality assets, strengthen the income and cash flow base of the Group and provide capital appreciation potential to the Group. The Group intends to hold the property for long-term investment purposes and rental income generation. The Board considers that the Subscription reflects the confidence and commitment of HC Technology, a controlling Shareholder, towards the long-term and sustainable development of the Company, and that the continuing support of the controlling Shareholder is crucial to ensure the business stability and long-term development of the Group.

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 past few years. For the year under review, the interest in Harmony Piano recorded a loss of approximately HK$0.35 million (31 December 2015: Profit of approximately HK$1.82 million) which was primarily due to a large one-off professional charge incurred during the year.

Formation of Joint Venture

Reference is made to the announcements of the Company date 23 August 2016. Terms used hereinafter are defined in the aforementioned announcement.

On 23 August 2016, the Company and FHIG (a controlling shareholder of the Company) entered into the Investment Agreement in respect of the establishment of the Joint Venture. The Company and FHIG agreed to establish the Joint Venture. The registered capital of the Joint Venture will be RMB80 million, to which the Company and FHIG will contribute RMB40.8 million and RMB39.2 million, respectively. Upon the establishment of the Joint Venture, the Company and FHIG will hold 51% and 49%, respectively, of the equity interest in the Joint Venture. The contributions are to be paid in full within two years of the date of issuance of business license of the Joint Venture.

The total initial capital contribution of RMB80 million to the Joint Venture was determined by the parties after arm's length negotiations with reference to the minimum level of capital contribution required for the Joint Venture to be able to take advantage of the tax and financial benefits from the China (Fujian) Pilot Free Trade Zone (中國(福建)自由貿易試驗區).

The capital contribution on the part of the Company was funded from the funds raised under the open offer of the Company conducted in 2015, details of which were disclosed in the Company's prospectus dated 28 July 2015.

The business scope of the Joint Venture is mainly tourism related leasing service within the Fujian Province, PRC, including but not limited to leasing of caravan compartments and cable car and vessel finance leasing business.

The Joint Venture shall engage in business for a term of 30 years, calculated from the date of issuance of business license of the Joint Venture.

The Directors believe that the establishment of the Joint Venture will allow the Group to take advantage of the economic benefits from the free trade zone in Fujian Province and to diversify the business of the Group to leasing of tourism related leasing service within the Fujian Province, PRC, including but not limited to caravan compartments and cable car, which would allow the Group to diversify its streams of income.

FHIG indirectly holds 67.92% of the issued share capital of the Company and is a controlling shareholder of the Company. Therefore, FHIG is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Investment Agreement constitute connected transactions of the Company. As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Investment Agreement exceed 5% but are less than 25%, the transactions contemplated under the Investment Agreement constitute a discloseable and connected transaction of the Company which is subject to the reporting, announcement and shareholder's approval requirements under the Listing Rules.

Formation of Joint Venture (Continued)

FHIG, being a controlling shareholder of the Company indirectly interested in approximately 67.92% of the issued share capital of the Company, and its indirectly wholly-owned subsidiaries (including HC Technology Capital Company Limited and Pinoge Company Limited, which are directly interested in approximately 67.22% and 0.7% of the issued share capital of the Company respectively) being connected persons of the Company and having material interests in the Investment Agreement (which are different from those of the Independent Shareholders), will abstain from voting at the EGM for the relevant resolution.

The resolution in relation to the investment Agreement was approved by the Independent Shareholders at the EGM held on 20 October 2016.

On 6 January 2017, The Company and FHIG agreed that the registered capital of the Joint Venture shall be increased from RMB80 million to RMB170 million. The Company and FHIG shall contribute RMB27.2 million and RMB62.8 million to the increase in capital of the Joint Venture, respectively. Upon the completion of the subscription, the total capital contributions of the Company and FHIG to the Joint Venture would be increased to RMB68 million and RMB102 million, representing 40% and 60% of the registered capital of the Joint Venture, respectively.

Upon the completion of the transactions under the Capital Increase Agreement, the Company and FHIG will hold 40% and 60% of the equity interest in the Joint Venture, respectively, and the Joint Venture will cease to be a subsidiary of the Company and become an associate of the Company.

Based on the intention of the parties, all of the additional funding to the Joint Venture (after deducting minor amounts to be retained as working capital) are proposed to be utilised to further expand the sale and leaseback business of the Joint Venture. At present, the Joint Venture does not have sufficient net assets for the expected funding of the above operations. Therefore, the Capital Increase Agreement was entered in respect of the increase in capital in the Joint Venture.

Given that relatively large amounts of capital are required in the finance leasing business, the Board believes that the proposed increase of capital of the Joint Venture to RMB170 million pursuant to the Capital Increase Agreement can further expand and develop the finance leasing business of the Joint Venture, which would diversify the income streams of the Group and increase the profitability of the Group. Given that the Joint Venture will continue to engage in the finance leasing business, the Company expects that it can share the results of the Joint Venture (as an associate of the Company) in the future, and hence, its income stream can be diversified and wouldnot be limited to hotel operations and property investment.

The increase of paid-up capital of the Joint Venture to RMB170 million would allow the Joint Venture to take advantage of certain PRC tax benefits for finance leasing and sale and leaseback businesses, which would allow immediate reimbursement after levy (即徵即退) of the part of the actual tax burden (實際稅負) of value-added taxation over 3%, such that the overall actual value-added taxation would be not more than 3%.

FHIG indirectly held 67.92% of the issued share capital of the Company and was a controlling shareholder of the Company. Therefore, FHIG is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Capital Increase Agreement constitute connected transactions of the Company.

Formation of Joint Venture (Continued)

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Capital Increase Agreement, on an aggregated basis with the transactions under the Investment Agreement which were entered into within a 12-month period, exceed 5% but are less than 25%, the transactions contemplated under the Capital Increase Agreement constitute a discloseable and connected transaction of the Company which is subject to the reporting, announcement and shareholder approval requirements under the Listing Rules.

FHIG, being a controlling shareholder of the Company indirectly interested in 778,068,772 Shares, representing approximately 67.92% of the issued share capital of the Company, and its indirectly wholly-owned subsidiaries (including HC Technology and Pinoge, which are directly interested in 770,016,722 Shares and 8,052,050 Shares, representing approximately 67.22% and 0.70% of the issued share capital of the Company respectively, being connected persons of the Company and having material interests in the Capital Increase Agreement (which are different from those of the Independent Shareholders), will abstain from voting at the EGM on the relevant resolution. Save for the aforesaid and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries as at the Latest Practicable Date, no other Shareholder was involved in or interested in the Capital Increase Agreement which requires such Shareholder to abstain from voting on the proposed resolution to approve the Capital Increase Agreement at the EGM.

The resolution I related to the Capital Increase Agreement was approved at the extraordinary general meeting of the Company dated 23 March 2017.

Future Development

Improved customer services and better hotel facilities are core competitive advantages to seize the growth opportunity in local tourism and restaurant industries. The Board believes that the hotel business in Xiamen will contribute positively to the Group. Meanwhile, the hotel management is enhancing sales force regarding wedding banquet, catering and related services as well.

The uncertainties in global economic recovery, slowdown in domestic macro-economic growth, structural oversupply in the hotel industry and the rapid development of information technology relating to mobile internet will continue to affect the development of the Group's principal business. With the implementation of the "Several Opinions of the State Council on Promoting the Reform and Development of the Tourism Industry", the radiation effect of free trade zones in Fujian Province, we can see bright future for the development of hotel, tourism industry and tourism related services in China. Well-positioned to address these challenges and take these development opportunities, the Group remains fully confident in its future development.

The group will strive to seize the opportunity presented by the reform of state-owned assets, give full play to the strengths of FTDC as "Top 20 advantage Tourism Group in China" and seek investment opportunities in tourist related and other business areas, together with accelerate the reform in the area of institutional mechanisms, integrate the industry chains of hotel, tourism and other businesses, effectively improve the asset liquidity of the Company, further increase our overall asset return and diversify the income streams and business of the Group, so as to further increase our overall asset return and enterprise value.

Financial Review

Capital structure

As at 31 December 2016, 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 2016, the Group had a net cash balance of approximately HK$100.04 million (2015: HK$127.32 million). The Group's net asset value (assets less liabilities) was approximately HK$429.28 million (2015: HK$234.85 million), with a liquidity ratio (ratio of current assets to current liabilities) of 10.09 (2015: 15.64). During the year under review, there was no material change in the Group's funding and treasury policy. The Directors do not expect the Company to experience any problem with liquidity and financial resources in the foreseeable future.

Charge on Assets

As at 31 December 2016, the Group had not charged any of its assets.

The Equity and Treasury Policy

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.

Bank Loans and Other Borrowings

There were no outstanding bank loan and other borrowings by the Company and the Group as at 31 December 2016 (2015: Nil).

Capitalised Borrowing Costs

No borrowing costs were being capitalised during the year ended 31 December 2016 (2015: 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 the PRC. Most of the transactions and cash and cash equivalents are denominated in Hong Kong dollars ("HK$") and in Renminbi (RMB). The Group is exposed to foreign currency risk due to the exchange rate fluctuation of RMB against HK$. Moderate fluctuation of RMB against HK$ was expected. The Group considered the foreign currency risk exposure is acceptable. However, management of the Group will monitor foreign exposure closely and consider the use of hedging instruments when necessary.

The funding and treasury policies of existing subsidiaries of the Group are centrally managed and controlled by the Group's senior management in Hong Kong.

Financial Review (Continued)

Substantial Acquisition and Disposals

The Substantial Acquisition and investment is set out in the management discussion and analysis.

Capital Commitments

	2016	2015
	HK$	*HK$*
Capital expenditure in respect of the acquisition of property, plant and equipment	**1,893,508**	2,585,760

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 2016.

Events after the reporting period

On 6 January 2017, The Company and FHIG agreed that the registered capital of a Joint Venture shall be increased from RMB80 million to RMB170 million. The Company and FHIG shall contribute RMB27.2 million and RMB62.8 million to the increase in capital of the Joint Venture, respectively. Upon the completion of the subscription, the total capital contributions of the Company and FHIG to the Joint Venture would be increased to RMB68 million and RMB102 million, representing 40% and 60% of the registered capital of the Joint Venture, respectively.

Upon the completion of the transactions under the Capital Increase Agreement, the Company and FHIG will hold 40% and 60% of the equity interest in the Joint Venture, respectively, and the Joint Venture will cease to be a subsidiary of the Company and become an associate of the Company.

Based on the intention of the parties, all of the additional funding to the Joint Venture (after deducting minor amounts to be retained as working capital) are proposed to be utilised to further expand the sale and leaseback business of the Joint Venture. At present, the Joint Venture does not have sufficient net assets for the expected funding of the above operations. Therefore, the Capital Increase Agreement was entered in respect of the increase in capital in the Joint Venture.

Given that relatively large amounts of capital are required in the finance leasing business, the Board believes that the proposed increase of capital of the Joint Venture to RMB170 million pursuant to the Capital Increase Agreement can further expand and develop the finance leasing business of the Joint Venture, which would diversify the income streams of the Group and increase the profitability of the Group. Given that the Joint Venture will continue to engage in the finance leasing business, the Company expects that it can share the results of the Joint Venture (as an associate of the Company) in the future, and hence, its income stream can be diversified and wouldnot be limited to hotel operations and property investment.

The increase of paid-up capital of the Joint Venture to RMB170 million would allow the Joint Venture to take advantage of certain PRC tax benefits for finance leasing and sale and leaseback businesses, which would allow immediate reimbursement after levy (即徵即退) of the part of the actual tax burden (實際稅負) of value-added taxation over 3%, such that the overall actual value-added taxation would be not more than 3%.

FHIG indirectly held 67.92% of the issued share capital of the Company and was a controlling shareholder of the Company. Therefore, FHIG is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Capital Increase Agreement constitute connected transactions of the Company.

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Capital Increase Agreement, on an aggregated basis with the transactions under the Investment Agreement which were entered into within a 12-month period, exceed 5% but are less than 25%, the transactions contemplated under the Capital Increase Agreement constitute a discloseable and connected transaction of the Company which is subject to the reporting, announcement and shareholder approval requirements under the Listing Rules.

FHIG, being a controlling shareholder of the Company indirectly interested in 778,068,772 Shares, representing approximately 67.92% of the issued share capital of the Company, and its indirectly wholly-owned subsidiaries of FHIG (including HC Technology and Pinoge, which are directly interested in 770,016,722 Shares and 8,052,050 Shares, representing approximately 67.22% and 0.70% of the issued share capital of the Company respectively) being connected persons of the Company and having material interests in the Capital Increase Agreement (which are different from those of the Independent Shareholders), will abstain from voting at the EGM on the relevant resolution. Save for the aforesaid and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries as at the Latest Practicable Date, no other Shareholder was involved in or interested in the Capital Increase Agreement which requires such Shareholder to abstain from voting on the proposed resolution to approve the Capital Increase Agreement at the EGM.

The resolution I related to the Capital Increase Agreement was approved at the extraordinary general meeting of the Company dated 23 March 2017.

Human Resources

As at 31 December 2016, the Group had approximately 144 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 Company did not propose any dividends for the year ended 31 December 2016. The Directors do not recommend the payment of a dividend for the year ended 31 December 2016.

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 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted Appendix 10 to the Listing Rules, the Model Code, as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made with all Directors and the Directors have complied with the requirements set out in the Model Code for the year ended 31 December 2016.

INVESTMENT PROPERTIES

At 31 December 2016, 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$218.50 million.

Particulars of investment property interests held by the Group at 31 December 2016 are as follows:

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Adapting and adhering to 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 has fully complied throughout the year 2016 with the applicable provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the Directors, the Company has complied all code provisions as contained in the Code during the year ended 31 December 2016.

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 monitors 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 2016 which covered financial, operational, compliance procedural and risk management functions and had considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. In light of the size and scale of the Group's businesses, the Board is also delegated with the responsibilities for the internal control of the Group and for reviewing its effectiveness. As such, the Group currently does not have an internal audit department. The Board will review and consider to establish such department as and when it thinks necessary.

RISK MANAGEMENT (CONTINUED)

The Group believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Group has therefore made continued efforts to uplift its quality of corporate governance. It has established a highly effective system of internal controls and adopted a series of measures to ensure its safety and effectiveness. As a result, the Group is able to safeguard its assets and protect the interests of its Shareholders.

The Board is of the view that the systems of internal control and risk management are effective and there are no irregularities, improprieties, fraud 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 ensuring that it is fully compliant with disclosure obligations stipulated under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information that is released by the Group.

CORPORATE MONITOR

The Board is responsible for monitoring the Group's overall corporate reporting process and control system, while the corporate reporting standard is handled by the accounting department, which makes regular review of resources allocation and financial reporting system properly. Compliance with Code on Corporate Governance Practices, the Listing Rules, SFO and other applicable laws and regulations are handled by the Company Secretary. The Company's management meets with the Executive Directors regularly to review and brief the reporting system, and the Audit Committee annually to review and brief the reporting system.

A package of detailed materials setting out the duties and responsibilities of the Directors of the Company is provided to each newly appointed Director of the Company, in which it is especially specified the applicable rules and regulations (including the Listing Rules) that the first time appointed Directors of the Company shall notice and understand.

CORPORATE MONITOR (CONTINUED)

In respect of the securities transactions made by Directors and relevant employee, 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 2016 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 2016. 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 2016 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 Hodgson Impey Cheng Limited 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited 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
Wang Xiaowu
Chairman

Hong Kong, 24 March 2017

As at the date of this announcement, the existing Board of Directors comprises nine Directors, including three Executive Directors, namely Mr. Wang Xiaowu, Ms. Chen Danyun and Mr. Chen Yang, three Non-executive Directors, namely Mr. Feng Qiang, Mr. Zhang Fan and Mr. Wang Ruilian and three Independent Non-executive Directors, namely Mr. Lam Kwong Siu, Mr. Leung Hok Lim and Mr. Ng Man Kung.