GUDOU HOLDINGS LIMITED
古兜控股有限公司

(incorporated in the Cayman Islands with limited liability)

(stock code: 8308)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Hong Kong Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Hong Kong Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

ANNUAL RESULTS

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2023 together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	**2023**	2022
		RMB'000	*RMB'000*
Revenue	*5*	**52,684**	41,900
Cost of sales		**(57,927)**	(83,012)
Gross loss		**(5,243)**	(41,112)
Other income		**379**	110
Other gain, net		**623**	2,266
Fair value losses on investment properties		**(53,850)**	(27,110)
Selling expenses		**(5,972)**	(4,399)
Administrative expenses		**(26,835)**	(28,801)
Net impairment losses on financial assets		**(625)**	(34,621)
Loss from operations		**(91,523)**	(133,667)
Finance costs		**(19,043)**	(14,732)
Loss before income tax		**(110,566)**	(148,399)
Income tax credit	*6*	**12,037**	15,706
Loss for the year attributable to owners of the Company		**(98,529)**	(132,693)
Other comprehensive (loss)/income for the year, net of tax			
Item that may be reclassified to profit or loss:			
Currency translation differences		**(17,952)**	(14,120)
Item that will not be reclassified to profit or loss:			
Currency translation differences		**18,252**	10,032
Total comprehensive loss for the year attributable to owners of the Company		**(98,229)**	(136,781)

Losses per share

	Note	**2023**	2022
		RMB cents	*RMB cents*
Basic and diluted losses per share	*8*	**(8.95)**	(13.51)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment		**185,445**	215,467
Right-of-use assets		**11,820**	9,792
Investment properties		**519,200**	573,050
Financial assets at fair value through other comprehensive income		**55**	55
Deferred income tax assets		**6,985**	6,904
		723,505	805,268
Current assets			
Properties held for sale		**126,386**	67,267
Inventories		**2,645**	2,608
Accounts receivable	*9*	**4,852**	4,850
Prepayments, deposits and other receivables		**13,499**	10,290
Amount due from the joint operator	*10*	**45,632**	44,294
Restricted bank balances		**970**	–
Bank and cash balances		**3,575**	3,356
		197,559	132,665
TOTAL ASSETS		**921,064**	937,933
Current liabilities			
Accounts payable	*11*	**51,515**	50,933
Provision, accruals and other payables		**86,588**	77,375
Settlement payable for discharge of the joint operation		**64,137**	–
Borrowings		**206,267**	63,171
Lease liabilities		**684**	720
Current tax liabilities		**63,978**	63,291
Contract liabilities		**77,662**	70,421
		550,831	325,911

	Note	**2023**	2022
		RMB'000	*RMB'000*
Non-current liabilities			
Borrowings		**13,300**	175,863
Lease liabilities		**6,394**	3,798
Loan from a related party		**7,078**	6,406
Deferred income tax liabilities		**146,723**	160,104
Deferred income		**11,950**	12,850
		185,445	359,021
TOTAL LIABILITIES		**736,276**	684,932
Capital and reserves			
Share capital	*12*	**10,051**	8,804
Reserves		**174,737**	244,197
TOTAL EQUITY		**184,788**	253,001
TOTAL LIABILITIES AND EQUITY		**921,064**	937,933

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated on 10 January 2014 in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The address of its principal place of business is Gudou Hot Spring Resort Complex, Yamen Town, Xinhui, Jiangmen, Guangdong Province, the People's Republic of China ("the PRC")（中國廣東省江門市新會區崖門鎮古兜溫泉綜合度假村）. The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 December 2016.

The Company is an investment holding company. The principal activities of its subsidiaries are the operation and management of Gudou Hot Spring Resort and provision of consultancy and/or management services to third party resort and hotel operators and the development and sales of tourism properties in Guangdong Province.

These financial information are presented in Renminbi ("RMB"), unless otherwise stated.

2. BASIS OF PREPARATION

2.1 Compliance with HKFRS and HKCO

The consolidated financial information of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance ("HKCO") Cap.622.

2.2 Historical cost convention

The consolidated financial information has been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through other comprehensive income, which are stated at fair value.

The preparation of consolidated financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

3. GOING CONCERN

During the year ended 31 December 2023, the Group reported a net loss of approximately RMB98,529,000. As at 31 December 2023, the Group's current liabilities exceeded its current assets by approximately RMB353,272,000. Included in its current liabilities were borrowings, accounts payable, other payables, settlement payable for discharge of the joint operation and current tax liabilities of approximately RMB206,267,000, RMB51,515,000, RMB54,312,000, RMB64,137,000 and RMB63,978,000, respectively, while its bank and cash balances amounted to approximately RMB3,575,000 only.

3. GOING CONCERN (CONTINUED)

The Group's property development business related to the joint operation (the "Joint Operation") with Guangdong Aoyuan Company Limited ("GD Aoyuan" or "Joint Operator") was negatively affected by the liquidity condition of China Aoyuan Group Limited ("China Aoyuan"), the shareholder of GD Aoyuan. Pursuant to the cooperation agreements, GD Aoyuan is solely responsible for the funding of construction of projects of the Joint Operation. However, GD Aoyuan was unable to advance sufficient funding for the settlement of construction and other costs. In addition, the Group is involved in several legal disputes with GD Aoyuan being the plaintiff. Upon the civil ruling handed down by Jiangmen Xinhui's People Court (the "Court"), the Court ordered to discharge the Joint Operation with effective date on 19 May 2023. As a result, the Group needs to be solely responsible for the ongoing operation of the property development project and to settle any obligation arising from the discharge, which may further affect the liquidity of the Group.

All of the above conditions indicate the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company (the "Directors") have given careful consideration of the future liquidity and operating performance of the Group and its available source of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Directors of the Company have reviewed a cash flow projection of the Group prepared by management covering a period of not less than twelve months from 31 December 2023 taking into consideration the following plans and measures:

(i) For the installment loans, with original due dates during the year ending 31 December 2024, amounting to RMB111,006,000 as at 31 December 2023, the Group has been actively negotiating with a bank on revising the repayment schedules to extend the due dates. For the revolving bank facilities of RMB84,200,000 as at 31 December 2023, of which RMB44,640,000 was renewed during the year ended 31 December 2023 and with maturity dates from 2024 to 2026, the Directors would further renew these bank facilities when they expire in their respective dates. Having considered the successful record of renewing the Group's borrowings, the longstanding relationships with the banks and the assets being pledged to these banks, the Directors believe that the Group will be able to renegotiate the repayment dates of the installment loans and further renew its revolving bank facilities when they expire in their respective dates.

(ii) The Group has entered into a new uncommitted bank facilities of RMB230,000,000 in March 2024 with a bank replacing one of its existing unutilised bank facilities of RMB150,000,000 expiring on 30 June 2024 and be able to draw down from these bank facilities, subject to certain conditions, including the amounts to be drawn down and the assets that can be used as pledge.

(iii) The Group has been actively negotiating with the relevant tax authority on the deferring of the payment of the Group's current taxes (including the PRC enterprise income tax ("PRC EIT") and PRC land appreciation tax ("LAT")). The Directors are of the opinion that the current tax liabilities (including PRC EIT and LAT) will not be fully payable in 2024 and 2025 based on the Group's understanding of the practice of the tax authority to support the industry that was seriously affected under the COVID-19 pandemic.

3. GOING CONCERN (CONTINUED)

(iv) Riding on the gradual recovery of the Group's hotel and resort operations in 2023, the Group is cautiously optimistic that the leisure travel market and the Group's hotel and resort operations will continue to recover in 2024. The Group continues its efforts by generating cash from hotel and resort operations, delaying the settlement to key suppliers or contractors and implementing measures to further control capital and operating expenditures of the Group.

(v) After the discharge of the Joint Operation, the Group is responsible for the operation of the property development project. The Group will actively adjust the sales strategy to respond to changing markets in order to achieve a better sales volumes and amounts, and enhance collection. In addition, based on the development plan of the project and the Directors' best understanding on the construction progress, the Directors considered that the additional obligation that the Group needs to take up is inconsequential. Moreover, the Group considers it has the rights to claim GD Aoyuan on any possible settlements on behalf of GD Aoyuan relating to the Joint Operation and thus do not expect any significant cash outflow going forward.

(vi) Upon the discharge of the Joint Operation, the Group has recognised a settlement payable for acquiring the remaining unsold properties originally jointly owned with the Joint Operator. The Group considers they will arrange the settlement of such payable to GD Aoyuan together with any possible settlements by the Group on behalf of GD Aoyuan relating to the Joint Operation, any GD Aoyuan's withdrawals from the designated bank accounts and compensation for damages granted by the Court for GD Aoyuan's breaches of the Joint Operation. Based on the assessment by management, the Directors considered that the obligation that the Group needs to settle to GD Aoyuan is inconsequential.

(vii) The Group is actively looking for additional sources of financing to enhance the financial position and support the operations of the Group.

The Directors, after due consideration of the basis of management's plans and measures as well as the reasonable possible downside changes to the cash flow projections, are confident that the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due covering a period of not less than twelve months from 31 December 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial information on a going concern basis.

Notwithstanding the above, a material uncertainty exists as to whether the Group is able to achieve its plans and measures as described above, which incorporate assumptions about future events and conditions that are subject to inherent uncertainties. Whether the Group will be able to continue as a going concern depends upon:

(a) the Group's ability to negotiate with the bank on revising repayment schedules to extend the due dates of installment loans and further renew its existing bank facilities;

(b) the Group's ability to draw down from the uncommitted bank facilities of RMB230,000,000 as and when needed;

3. GOING CONCERN (CONTINUED)

(c) the Group's ability to further defer the payment of the Group's PRC EIT and LAT;

(d) the Group's ability to accelerate the recovery and generate operating cash inflow from its hotel and resort operations, delay the settlement to key suppliers or contractors and implement measures to further control capital and operating expenditures of the Group;

(e) the Group's ability to successfully adjust the sales strategy to achieve a better sales volume and amounts and timely collection of sales proceeds;

(f) the Group's ability to settle the discharge of the Joint Operation and to resolve the dispute with the Joint Operator with inconsequential financial impact to the Group; and

(g) the Group's ability to successfully raise additional sources of financing as and when needed to enhance the financial position and support the operations of the Group.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial information.

4. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

4.1 (a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for the first time for their annual reporting period commencing 1 January 2023:

Standards	Subject of amendments
HKFRS 17	Insurance Contracts
HKAS 12 (Amendments)	Deferred Income Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies

The Group has adopted these new and amended standards and the adoption of these new and amended standards do not have any significant impacts on the Group's consolidated financial information.

4. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

4.1 (b) Amended standards and interpretations not yet adopted

Certain amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HKAS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
HK Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors of the Group are in the process of assessing the financial impact of the adoption of the above new or amended standards and interpretation. The Group will adopt these new or amended standards and interpretation when they become effective.

5. REVENUE

The Group's revenue derived from its major products and services during the year is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Hotel and resort operations		
Admission income	**10,106**	7,409
Catering income	**9,969**	6,840
Conference fee income	**657**	841
Massage service income	**598**	165
Rental income	**4,684**	1,943
Other service income	**2,542**	3,192
Merchandise sales income	**93**	159
Room revenue	**19,434**	20,932
	48,083	41,481
Tourism properties		
Property sales	**4,601**	419
	52,684	41,900
Timing of revenue recognition		
At a point in time	**24,769**	15,833
Over time	**23,231**	24,124
	48,000	39,957
Rental income	**4,684**	1,943
	52,684	41,900

6. INCOME TAX CREDIT

The revenue from tourism property as described in Note 5 includes sales of apartments. Under the applicable tax regulations, LAT is charged at progressive rate from 30% to 60% (2022: 30% to 60%) on the appreciation of land value which is calculated based on the proceeds of sales of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure. The basis of calculating the LAT on the sale of apartments has not yet been determined by the local tax bureau. Management adopted the progressive rate from 30% to 60% (2022: 30% to 60%) according to their best estimation. The tax credit on the Group's loss before income tax differs from the theoretical amount that would arise using the taxation rate in the PRC as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Income tax credit – PRC EIT and LAT	**(12,037)**	(15,706)

7. DIVIDEND

No dividend was paid or declared by the Company during the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

8. LOSSES PER SHARE

Basic

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2023	2022
Loss attributable to owners of the Company *(RMB'000)*	**(98,529)**	(132,693)
Weighted average number of ordinary shares in issue *('000)*	**1,100,887**	982,485
Basic losses per share *(RMB cents)*	**(8.95)**	(13.51)

8. LOSSES PER SHARE (CONTINUED)

Diluted

Diluted losses per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. The calculation for share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options.

For the year ended 31 December 2023, share options were not assumed to be exercised/converted as they have an anti-dilutive impact due to the loss for the year attributable to owners of the Company (2022: Same).

9. ACCOUNTS RECEIVABLE

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Accounts receivable	**13,818**	13,191
Less: allowance for impairment	**(8,966)**	(8,341)
Accounts receivable, net	**4,852**	4,850

The Group allows an average credit period ranging from 30 to 90 days (2022: 30 to 90 days) to travel agencies and corporate customers in hotel and resort operations segment. For new travel agencies and corporate customers, payment in advance is normally required. Overdue balances are reviewed regularly by the Directors.

9. ACCOUNTS RECEIVABLE (CONTINUED)

The aging analysis of gross accounts receivable, based on the invoice date for travel agencies and corporate customers, is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Up to 30 days	**2,227**	3,080
31 to 60 days	**447**	879
61 to 90 days	**259**	201
Over 90 days	**10,885**	9,031
	13,818	13,191
Allowance for impairment	**(8,966)**	(8,341)
Accounts receivable, net	**4,852**	4,850

Movements on the provision for impairment of accounts receivable are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**8,341**	9,199
Impairment losses	**625**	479
Write-off of provision	**–**	(1,337)
At the end of the year	**8,966**	8,341

The above impairment losses have been included in "Net impairment losses on financial assets" in the consolidated statement of comprehensive income.

All accounts receivable are denominated in RMB and approximate to their fair values.

10. AMOUNT DUE FROM THE JOINT OPERATOR

Guangdong Gudou Travel Group Company Limited ("GD Gudou"), an indirect wholly owned subsidiary of the Group, entered into a joint operation arrangement with Guangdong Aoyuan Group Company Limited ("GD Aoyuan" or "Joint Operator"), which is an indirect wholly owned subsidiary of China Aoyuan Group Limited, through the execution of two cooperation agreements dated 16 July 2019 and 30 June 2020 (the "Joint Operation Agreements") for the development of a tourism property, facilities and other infrastructures incidental to the development of tourism property on 8 parcels of land (the "Land") in Gudou Jiangmen, the PRC (the "Joint Operation"). In return of this Joint Operation, GD Gudou and GD Aoyuan are entitled to 30% and 70%, respectively, of the net income derived from the Joint Operation.

Pursuant to the Joint Operation Agreements, while GD Gudou is responsible for contributing the Land to the Joint Operation, GD Aoyuan is responsible for (i) funding the development, construction and management of the Land; (ii) maintaining the books and records of the Joint Operation; and (iii) operating a designation bank account under the name of GD Gudou (the "Designated Bank Accounts"). Additionally, the purpose of the Designated Bank Accounts is to deposit fundings received from GD Aoyuan to settle the construction and other costs of the Joint Operation and receive proceeds from the sales of the property units developed under the Joint Operation. Fundings can also be withdrawn from the Designated Bank Accounts to settle any construction and other costs incurred for the Joint Operation.

Upon the inception of the Joint Operation, based on the Joint Operation Agreements and management's understanding of the operation of the Joint Operation, management has recognised the Land as properties held for sale, the bank balances in the Designated Bank Accounts as restricted cash, all the proceeds received from the pre-sales activities relating to the Joint Operation and deposited at the Designated Bank Accounts as contract liabilities in the consolidated statement of financial position, and recognised 30% (as entitled by GD Gudou in accordance with the Joint Operation Agreements) of the revenue recognised and expenses incurred in connection with the Joint Operation in the consolidated statement of comprehensive income. Additionally, for any amounts settled by the Group or the Joint Operator on behalf of the Joint Operation which are expected to be recovered from the Joint Operator or the Group, respectively, these transactions would be recognised as amount due from/to the joint operator.

Since the commencement of the Joint Operation, construction work has begun only on 3 parcels of the Land and two developed properties on these 3 parcels of Land have commenced pre-sale activities in 2019 and 2022. There has been no further development for the remaining 5 parcels of the Land now. The development of the Land has been further delayed starting from the second half of 2022. In 2022, GD Gudou received several claims as one of the defendants from a few property buyers in respect of alleged breach of contracts by a contractor introduced by GD Aoyuan for the remodelling of their property units. Although these claims have been closed, it led to the Group's management to probe closer into the activities of the Joint Operation, including the transaction activities in the Designated Bank Accounts. Furthermore, the Group could not proceed with the search as GD Aoyuan moved out from the office building of GD Gudou in November 2022, and all the accounting records and related supporting documents of the Joint Operation were taken away by GD Aoyuan at the same time. GD Aoyuan had provided accounting records including ledger, balance sheets and profit and loss accounts for the Joint Operation in the previous periods but the Group did not maintain a full set of accounting vouchers and supporting documents as they had access in the past. Since then, GD Aoyuan was not cooperative and despite the Group's continuous effort, the Group was not able to obtain the accounting records of the Joint Operation taken away by GD Aoyuan.

10. AMOUNT DUE FROM THE JOINT OPERATOR (CONTINUED)

In March 2023, the Directors, of which have no prior knowledge, were made aware of two loan agreements involving GD Gudou, being the borrower, and GD Aoyuan, being the lender, totalling not more than RMB50,000,000 which are interest-bearing at 12% per annum in 2019 (the "Loan Agreements") in 2021 and a commitment letter made by GD Gudou in favour of GD Aoyuan in relation to RMB15,000,000 at an interest rate of 12% per annum in 2021 (the "Commitment Letter"). These Loan Agreements and Commitment Letter were received from an anonymous source and were alleged by the informant to be related to certain withdrawals being made from the Designated Bank Accounts by the Group over the years from 2019 to 2021. However, it was the understanding of the management of the Group that these withdrawals were not loans in nature and in fact were fund transfer. The withdrawals made in 2019 were for the purposes to settle certain construction and other costs incurred by the Group and paid on behalf from the Designated Bank Accounts as agreed with GD Aoyuan in order to complete the existing property development project of GD Gudou so as to expedite the overall pre-sales activities of the property development project under the Joint Operation. Such withdrawals had already been settled by the Group based on management's understanding. The withdrawals made in 2021 were for the purpose to release the mortgage over one of the parcels of the Land contributed by GD Gudou so as to facilitate the application of pre-sales permit of the Joint Operation.

In March and April 2023, GD Aoyuan filed two claims against the Group in relation to (i) the Commitment Letter and (ii) the operation of the Joint Operation and claimed that GD Aoyuan had intended to continue the Joint Operation but could not do so unless these disputes can be resolved. In the hearing process of the court case, GD Aoyuan has further submitted to the Court certain supplemental agreements to the court of which the Directors have no prior knowledge. In October 2023, the Group received a civil ruling from the Court to discharge the Joint Operation with effective date on 19 May 2023 and concluded that certain alleged supplemental agreements to the Joint Operation Agreements, of which the Group still has no access, were invalid and should not be enforceable. However, the Loan Agreements have been determined by the civil ruling to be authentic.

Upon the Court's ruling on discharging the Joint Operation Agreements with effective date on 19 May 2023 and based on the advice from the Company's PRC lawyer (the "PRC legal advice"), the Group becomes the sole legal owner of the remaining unsold properties ("Properties") originally jointly owned with the Joint Operator and could therefore exercise unilateral control over all of the properties held for sale as previously developed and managed by the Joint Operation. Management has therefore accounted for the discharge of the Joint Operation Agreements as an asset acquisition of a previously jointly controlled asset from the Joint Operator ("Acquired Properties"). The Group recognised the Acquired Properties at their estimated market value of approximately RMB64,137,000 as determined by an independent valuer appointed by the Company and correspondingly recognised a settlement payable of the same amount for the discharge of Joint Operation Agreements on 19 May 2023 upon the Group obtains control over the Acquired Properties. Thereafter, the Group started to recognise the entire revenue arising from any subsequent sales of properties and also all of the expenses as incurred for any subsequent property development activities in the consolidated statement of comprehensive income.

10. AMOUNT DUE FROM THE JOINT OPERATOR (CONTINUED)

Independent investigation on the Loan Agreements and the Commitment Letter

Upon the discovery of the Loan Agreements and the Commitment Letter, the Directors established an independent investigation committee to investigate the Loan Agreements and the Commitment Letter in April 2023 (the "Investigation"). The investigation committee engaged an independent professional advisor to conduct the Investigation. Based on the Independent Review report from the independent professional advisor, they found the validity of the Loan Agreements and the Commitment Letter and the existence of the loan of RMB15 million under the Commitment Letter to be questionable. According to the Independent Review Report, the approval and signing procedures for the Loan Agreements and the Commitment Letter was different from those stipulated in the "Usage and management system for company seals and chops". There was no formal application on using of the company seals and chops in relation to the signing of both of the Loan Agreements and the Commitment Letter and such usage was not recorded on the contract register. They also found that the Commitment Letter was only stamped with the Company seal, which was not following the normal practice of stamping both the Company seal and the legal representative chop (or signed by the responsible Director) at the same time. The independent advisor cannot find any evidence which may suggest that the Loan Agreements and the Commitment Letter were executed and further based on their computer data analysis, the independent advisor concluded that there is no finding which suggest evidence to show that the relevant personnel of the Group have knowledge in or have discussed on the Loan Agreements and the Commitment Letter. However, the Investigation is subject to several limitations, including but not limited to, inability to obtain the financial record and supporting documents of the Joint Operation and conduct interview GD Aoyuan and some of the major service providers of the Joint Operation. Nevertheless, the Board is in the opinion that the independent investigator has already exhausted all reasonable means to provide the full extent of findings and conclusion to the Group.

The Board, having reviewed the findings of the Independent Review Report, considered that despite the Loan Agreements have been determined by the civil judgement to be authentic, there is insufficient evidence to prove either the validity of the Commitment Letter or the existence of the RMB15 million loan. It is possible that due to the internal control deficiency as identified by the independent professional advisor, the Loan Agreements and the Commitment Letter might have been chopped by the Group personnel unintentionally and accidentally. In light of the fact that the truthfulness and validity of the Commitment Letter remains an issue to be concluded in the PRC civil action, the judgement of which would only be available later, the Board remain a conservative stance and shall further assess its position with regard to the Commitment Letter.

Although the Group is not able to resolve with GD Aoyuan on the dispute over the Loan Agreements and the Commitment Letter, based on the finding of the Investigation and the Group's understanding of the operation of the Joint Operation, unless the court would ultimately conclude otherwise, the Group consider that while GD Gudou used the RMB15 million deposited by GD Aoyuan, such usage was within the boundaries of the Joint Operation and not for private usage, suggesting that the nature of the RMB15 million could not have been a loan and will continue to account that as amount due from/to the joint operator without fixed term and interest.

10. AMOUNT DUE FROM THE JOINT OPERATOR (CONTINUED)

Incomplete accounting records of the Joint Operation

After GD Aoyuan moved out from the office building of GD Gudou in November 2022 and took away all the accounting records and related supporting documents of the Joint Operation, the Group could only rely on the limited information and documents available to account for the transactions related to Joint Operation and prepare its financial information for the Group's consolidated financial statements as at and for the year ended 31 December 2022 based on its best understanding of the operation of the Joint Operations and judgement.

The Group continues to be unable to obtain the books and records of the Joint Operation for the period prior to 31 December 2022 as GD Aoyuan is not cooperative. During the year ended 31 December 2023, the Group has maintained complete record of transactions and controlled the usage of the seals and chops in relation to the Joint Operation.

However, due to the inability to obtain the accounting records of the Joint Operation from GD Aoyuan when GD Aoyuan was responsible for maintaining the books and records, the Group could not ensure if there is any unknown outstanding construction and other costs and any possible disputes with other creditors related to the Joint Operation. The Group received several claims from the contractors of the Joint Operation for the settlements of outstanding construction and other costs amounting to RMB31 million and has accrued such amount as other payables and correspondingly an amount due from the Joint Operator as a settlement on behalf of GD Aoyuan in 2022. Nevertheless, based on the PRC legal advice, the Group considers it has the rights to claim GD Aoyuan on any possible settlements on behalf of GD Aoyuan relating to the Joint Operation and therefore, the Group will recognise settlements made on behalf of GD Aoyuan if they further receive any claims in relation to the Joint Operation's activity prior to 19 May 2023.

Given the Court has not concluded the litigation on the Commitment Letter as well as the Group is preparing to file for a judgement on the entitlements in the sharing of profit of the Joint Operations on the basis that GD Aoyuan has not fulfilled its obligation in accordance with the Joint Operation Agreements, any possible settlement arrangements relating to these disputes related to Joint Operation are currently unknown. Nevertheless, based on the PRC legal advice, the Group considers it has the rights to claim GD Aoyuan on any possible settlements on behalf of GD Aoyuan relating to the Joint Operation and therefore, the Group continued to recognise these settlements made on behalf of GD Aoyuan, together with any withdrawals from the Designated Bank Accounts to GD Aoyuan, as amount due from the joint operator. However, in consideration of the liquidity condition of GD Aoyuan, the Group has also recognised an impairment provision up to the Group's entitlement of the Joint Operation as stated in the Joint Operation Agreements.

10. AMOUNT DUE FROM THE JOINT OPERATOR (CONTINUED)

Based on the aforementioned assessment by management as of the date of this announcement, the Directors have prepared the financial information for the Joint Operation from 1 January 2023 to 31 December 2023 and recognised the following on the Company's consolidated financial information as at and for the year ended 31 December 2023.

Consolidated statement of comprehensive income	**Period ended 19 May 2023**	Year ended 31 December 2022
	RMB'000	*RMB'000*
Revenue	–	419
Cost of sales, selling and administrative expenses	**(118)**	(1,519)
Provision for loss on properties held for sale	–	(37,279)
Impairment losses on financial assets, net	–	(34,142)

Note:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Amount due from the joint operator	**87,608**	86,270
Less: allowance for impairment	**(41,976)**	(41,976)
Amount due from the joint operator, net	**45,632**	44,294

Movements on the provision for impairment of amount due from the joint operator are as follows:

	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**41,976**	7,834
Impairment losses	–	34,142
At the end of the year	**41,976**	41,976

The amount is unsecured, interest-free and there is no fixed term of repayment for such balance.

The amount due from the joint operator is denominated in RMB and approximate to its fair values.

The above impairment losses have been separately disclosed as "Net impairment losses on financial assets" in the consolidated statement of comprehensive income.

11. ACCOUNTS PAYABLE

The aging analysis of the Group's accounts payable, based on invoice date, is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Up to 90 days	**4,219**	2,094
91 to 180 days	**2,511**	1,287
181 to 365 days	**4,321**	7,021
Over 1 year	**40,464**	40,531
	51,515	50,933

The carrying amounts of the Group's accounts payable are denominated in RMB and approximate their fair values.

12. SHARE CAPITAL

	Number of shares	**Share capital**
	(thousands)	*RMB'000*
As at 1 January 2022	980,000	8,669
Exercise of share options	14,872	135
As at 31 December 2022	994,872	8,804
Exercise of share option	15,814	139
Conversion of convertible bond	126,500	1,108
As at 31 December 2023	1,137,186	10,051

13. EVENTS AFTER THE REPORTING PERIOD

Except as disclosed elsewhere in the consolidated financial information, there were no other material subsequent events took place after 31 December 2023.

AUDIT OPINION

The auditor of the Group will issue a qualified opinion with material uncertainty related to going concern on the consolidated financial statements of the Group for the year under audit. An extract of the auditor's report is set out in the section headed "EXTRACT OF THE AUDITOR'S REPORT OPINION" below.

EXTRACT OF THE AUDITOR'S REPORT OPINION

Our qualified opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for qualified opinion

Limitation of scope on the financial information of a joint operation with Guangdong Aoyuan Company Limited

As set out in Note 21 to the consolidated financial statements, Guangdong Gudou Travel Group Company Limited ("GD Gudou"), an indirect wholly owned subsidiary of the Group, entered into a joint operation arrangement with Guangdong Aoyuan Group Company Limited ("GD Aoyuan" or "Joint Operator") through the execution of two cooperation agreements dated 16 July 2019 and 30 June 2020 for the development of 8 parcel of land in Gudou Jiangmen, the People's Republic of China (the "PRC") (the "Joint Operation"), of which the Joint Operation was subsequently discharged based on the Court's ruling with effective date on 19 May 2023. As at 31 December 2023, the Group recognised an amount due from the joint operator of RMB45,632,000 (net of impairment loss recognised of RMB41,976,000) arising from the Joint Operation.

During the course of our previous audit, we received copies of two loan agreements dated 2019 involving GD Gudou, being the borrower, and GD Aoyuan, being the lender, totalling not more than RMB50,000,000 (the "Loan Agreements") and a commitment letter made by GD Gudou in favour of GD Aoyuan of RMB15,000,000 in 2021 (the "Commitment Letter") from anonymous source of which we were previously not made aware nor were we informed by GD Aoyuan or the Group of the Loan Agreements and the Commitment Letter. These Loan Agreements and Commitment Letter were received from an anonymous source and were alleged by the informant to be related to certain withdrawals being made from the Designated Bank Accounts by the Group over the years from 2019 to 2021. However, it was the understanding of the management of the Group that these withdrawals were not loans in nature and in fact were fund transfers. Accordingly, the Directors established an independent investigation committee to investigate the Loan Agreements and the Commitment Letter in April 2023 (the "Investigation"). Based on independent review report from the independent professional advisor (the "Independent Review Report"), they found the validity of the Loan Agreements and the Commitment Letter and the existence of the loan of RMB15 million under the Commitment Letter to be questionable. Based on the finding of the Investigation and the Group's understanding of the operation of the Joint Operation, unless the Court would ultimately conclude otherwise, the Group considers that the usage by GD Gudou of the RMB15 million deposited by GD Aoyuan was within the boundaries of the Joint Operation and not for private usage, suggesting that the RMB15 million could not have been a loan and will continue to be accounted for as amount due from/to the joint operator without fixed term and interest.

The Investigation is subject to several limitations in respect of the nature and extent of the procedures conducted, including but not limited to, inability to obtain the financial record and supporting documents of the Joint Operation and to conduct interview with GD Aoyuan and some of the major service providers of the Joint Operation. We encountered similar and other limitations when we conducted the extended procedures in our previous audit. In particular, we requested the Group to arrange interview with GD Aoyuan but was unable to access GD Aoyuan and therefore we were not able to obtain explanation about the reasons of disagreement of the balance in GD Aoyuan's confirmation reply received during our audit in the previous year and to enquire about the reasons of non-disclosure of the Loan Agreements and the Commitment Letter to us previously.

In addition, under the Joint Operation, amongst others, GD Aoyuan was responsible for maintaining the books and records of the Joint Operation and operating a designated bank account for the Joint Operation. Management represented that GD Aoyuan moved out from the office building of GD Gudou in November 2022, and all the accounting records and related supporting documents of the Joint Operation were taken away by GD Aoyuan at the same time. Hence, the Group was unable to obtain a complete set of books and records of the Joint Operation for the purpose of our audit in the previous year.

We have previously qualified our opinion in respect of the Company's consolidated financial statements for the year ended 31 December 2022 due to the limitation of scope as mentioned above as we were unable to obtain sufficient audit evidence or perform alternative procedures to satisfy ourselves as to (i) the nature of the balance of amount due from/to the joint operator alleged to be related to the Loan Agreements and the Commitment Letter and whether any adjustment is required to accrue for interest on the relevant balance for the year ended 31 December 2022; and whether any adjustment is required on the corresponding impairment provision made on the amount due from the joint operator for the year ended 31 December 2022; (ii) the completeness of construction and other costs incurred that might affect the cost of the property held for sale as at 31 December 2022 as well as the corresponding impact on the related impairment loss for the year ended 31 December 2022; (iii) the accuracy, validity, completeness and valuation of the balance of amount due from the joint operator as of 31 December 2022 and the validity, accuracy, completeness and presentation of other transactions (apart from sales of property units) of the Joint Operation and whether the effects of these transactions, including the related cashflows, have been properly accounted for and disclosed in the consolidated financial statements as at and for the year ended 31 December 2022.

Upon the Court's ruling on discharging the Joint Operation Agreement with effective date on 19 May 2023, the Group accounted for the discharge of the Joint Operation Agreements as an asset acquisition of a jointly controlled assets from the joint operator (the "Acquired Properties"). The Group recognised the Acquired Properties at their estimated market value as determined by an independent valuer appointed by the Company and a corresponding settlement payable for the discharge of Joint Operation Agreements. Thereafter, the Group started to recognise the entire revenue arising from the sale of the properties and all expenses incurred for the property development activities in the consolidated statement of comprehensive income. The Group continues to be unable to obtain the books and records of the Joint Operation for the period prior to 31 December 2022 as GD Aoyuan is not cooperative. During the year ended 31 December 2023, the Group has maintained complete record of transactions and controlled the usage of the seals and chops in relation to the Joint Operation.

Despite the abovementioned developments, our audit is subject to limitation of scope as we were still unable to obtain the books and records of the Joint Operation for the period prior to 31 December 2022 and to access GD Aoyuan to resolve the limitation of scope in our previous audit as well as to obtain direct confirmation of the balance as at 31 December 2023.

In view of the above scope limitation, there were no alternative audit procedures that we could perform to satisfy ourselves as to

(i) the nature of the balance of amount due from/to the Joint Operator alleged to be related to the Loan Agreements and the Commitment Letter as at 31 December 2023 and whether any adjustment is required to accrue for interest on the relevant balance for the year ended 31 December 2023; and

(ii) the accuracy, validity, completeness and valuation of the balance of amount due from the Joint Operator as of 31 December 2023; and whether any adjustment is required on the corresponding impairment provision made on the amount due from the Joint Operator for the year ended 31 December 2023.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw your attention to Note 2.3 to the consolidated financial statements, which states that the Group incurred a net loss of approximately RMB98,529,000 during the year ended 31 December 2023 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB353,272,000. Included in its current liabilities were borrowings, accounts payable, other payables, settlement payable for discharge of the joint operation and current tax liabilities of approximately RMB206,267,000, RMB51,515,000, RMB54,312,000, RMB64,137,000 and RMB63,978,000, respectively, and bank and cash balances were approximately RMB3,575,000 only. In relation to the Joint Operation with GD Aoyuan, the Group was discharged from the Joint Operation with effective date on 19 May 2023 as set forth in Note 21 and needs to be responsible for the ongoing operation of the property development project and to settle any obligation arising from the discharge. These conditions, along with other matters as set forth in Note 2.3 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to this set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The Group is principally engaged in (i) the operation and management of Gudou Hot Spring Resort and provision of consultancy and/or management services to third party resort and hotel operators; and (ii) the development and sale of tourism properties in Guangdong Province.

During the Year, the Group recorded a turnover of approximately RMB52.7 million, representing a increase of approximately 25.7% when compared to that of the previous year. Such change was mainly attributable to:

(i) an increase in revenue generated from the Group's hot spring resort and hotel operations business due to the economy and society returned to normal after the epidemic, and the Group's hot spring resort and hotel operations also ushered in a recovery; and

(ii) an increase in revenue generated from the Group's tourism property development business due to the stabilizing stage in general real estate market environment and increase in units sold and delivered in Gudou Yishui Mingting Apartments and Guanshanyue Apartments during the Year.

Hot Spring Resort and Hotel Operations

The revenue of the Group from the hot spring resort and hotel operations and consultancy and/or management services business increased by approximately 15.9% to approximately RMB48.1 million for the year ended 31 December 2023 as compared with that for the year ended 31 December 2022. Such increase was mainly attributable to the increase in admission income, catering income, conference fee income and rental income.

The Occupancy Rate of the Group's seven themed hotel complexes decreased from approximately 26% for the year ended 31 December 2022 to approximately 28% for the Year. The average room rate of the Group's seven themed hotel complexes increased from approximately RMB276.6 for the year ended 31 December 2022 to approximately RMB283.3 for the Year, primarily because Group ceased the Urban Hotels which have lower room rates.

Tourism Property Development

Revenue from the tourism property development business was approximately RMB4.6 million, representing an increase of approximately 998% from approximately RMB0.4 million for the year ended 31 December 2022. Such increase was mainly attributable to stabilizing stage in general real estate market environment during the Year. Revenue from the tourism property development business consists of the sales and delivery of Gudou Yishui Mingting Apartments totalling RMB3.7 million and the sales and delivery of Guanshanyue Apartments totalling RMB0.9 million.

During the Year, we sold and delivered 8 units (approximately 4.2% of the total saleable GFA) of Gudou Yishui Mingting Apartments and 2 units (approximately 0.5% of the total saleable GFA) of Guanshanyue Apartments. We expect the sales and delivery of Gudou Yishui Mingting Apartments and Guanshanyue Apartments to continue in 2024.

Prospect

Gudou is founded on our belief in the importance of health regimen to human beings and well-being of body and mind and the vision to improve quality of life of the general public. We believe that people are becoming more healthconscious since the outbreak of COVID-19 and demand for health and wellness business will continue to increase.

Following the impact of COVID-19, the Group has gradually established an efficient and effective business model that could adapt to the normalization of the pandemic, and kept on striving to improve the quality of Gudou's software and hardware as well as the brand recognition. We believe that tourists will come back and search for tourism spots allowing them to maintain their wellness while on the go and consumption power will bring a prosperous future after the pandemic has passed. The Group will continue to place health and wellness at our core. We will leverage our brand asset and continue to develop attractive product and service offering such as provision of indulgent catering options and scaling up our beauty and spa services by placing emphasis on traditional Chinese healing philosophies with an aim to elevate the level of secondary consumption within our Gudou Hot spring Resort. Management will also seek opportunity to grows our hotel footprint in China to further diversify our income.

Together, we stride toward a brighter, healthier future–one where Gudou remains synonymous with well-being and rejuvenation.

Comparison of business objectives with actual business progress

The table below sets out the Directors' analysis by comparing the business objectives of the Group as set out in the Prospectus with the Group's achievement of these objectives up to 31 December 2023. These business objectives are in place with a view to generating long-term value to the Company and the Shareholders.

Business Objectives	Actual Business Progress up to 31 December 2023
1. Continue to enhance the Group's position in the hot spring and hotel industry	The Group's effort in respect of enhancing its position in the hot spring and hotel industry is still ongoing.
(i) Replicate the Group's business model to operate new hot spring resorts and hotels (ii) Provide management services to other hot spring resort owners	(i) The Group will continue to select its potential target cities based on a number of factors, including, among others, local favourable governmental policies, local tourism development, infrastructure, locations or available land sites, regional economy, regional level of disposal income, cost of transportation and cost of energy supply. (ii) The Group will continue to explore new business opportunities to provide management services to hot spring resorts owned by third party owners. The investment and development team will continue to identify and evaluate potential business opportunities.
2. Plan to expand the tourism property development business of the Group	To prepare the Group for the expansion of the tourism property development business, the Directors have adopted standardised development procedures so as to achieve a more efficient use of capital and other resources, and to complete new tourism property projects on a timely manner while maintaining an effective control over costs. During the year, the Group sold and delivered 4 units of Gudou Yishui Mingting Apartments and 14 units of Gunashanyue Apartments. The Directors expect the sales of the jointly developing property projects, Gudou Yishui Mingting Apartments and Guanshanyue Apartments, to continue in 2024 and properties to be delivered to its customers from 2024 onwards.

Business Objectives	Actual Business Progress up to 31 December 2023
3. Continue to enhance the Group's "Gudou" brand across the PRC by providing quality products and services to the customers	The Group has implemented strict quality control standards and closely monitored the product or service quality, and the workmanship of its contractors throughout the property development process in relation to the Group's tourism property development business. During the Year, the Group had also organised a number of promotional events to promote the Group's "Gudou" brand, such as: • Gudou Hot Spring and Designer Toys Carnival in January 2023 • Gudou Tang Dynasty Fair Feast in March 2023 • Gudou Green Crab Festival in April 2023 • Mid-Autumn Summer Children's Dream Water Park in June 2023 • The 11th Gudou Yamen Tianshui Radish Festival in December 2023

Relationship with Stakeholders

The Group recognises that employees, customers and suppliers are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services and selling quality properties to its customers and enhancing cooperation with its suppliers. The Group strives to provide a safe workplace to its employees. It also provides competitive remuneration and benefits, as well as training programs so that staff can keep abreast of the development in the market.

The Group believes that service and property quality is the key to maintaining a good customer relationship. The Group is committed to serving its customers to the best of its ability and continually elevating the level of service excellence. To achieve this goal, the Group's quality control team is responsible for overseeing the quality control of its hot spring resort and hotel operations. With respect to the Group's property development projects, the Group engages construction companies to undertake supervision and control in order to ensure quality conditions of the projects. The Group's technical team and property development team will also carry out onsite visit on a regular basis. The Group settles with its major customers in accordance with contract payment terms, combines judgment on recoverable amounts, and adopts provision for bad debts of receivables that are specifically classified by similar risk. The Group monitors and accesses the information of major customers on an on-going and timely basis, and boosts communication and relationship with major customers.

The Group is also dedicated to maintaining good relationship with suppliers as long-term business partners to ensure stability of the Group's business. In selecting suppliers, the Group has been applying a standard of high quality and high integrity, and has established relevant systems to ensure that the purchase process remains open, fair and just. Aiming to improve purchase quality, critical assessment and guidelines are utilised by the Group to measure the sustainability of the suppliers in terms of labor, health and safety and environmental influences. Relevant departments of the Group conduct performance assessments to the suppliers on a regular basis in order to manage the suppliers in a more efficient manner and reduce potential risks in suppliers, which boosts communication and relationship with the suppliers.

Principal risks and uncertainties

The principal risks and uncertainties in implementing the Group's business strategies include the following:

(i) the Group's reliance on existing spring water sources represents a material risk to the Group's business if the mineral content and quality of the hot spring from such sources are adversely affected due to changes in the surrounding geological environment;

(ii) the Group may not be able to obtain, extend or renew qualification certificates and relevant PRC government approvals for its tourism property development or other business activities;

(iii) the Group may not be able to identify attractive acquisition opportunities, or make acquisitions on attractive terms or obtain sufficient financing for completion of such acquisitions;

(iv) operations of the Group's hot spring resort involve risks of accidents, illnesses, environmental incidents which may negatively affect the perception of guests on the safety and hygiene of the Gudou Hot Spring Resort, which could in turn negatively impact the "Gudou" brand or the Group's reputation;

(v) if the Group is unable to obtain necessary capital resources or suitable sites for tourism property development in a timely manner and at a reasonable cost, its property portfolio and future profitability could be adversely affected; and

(vi) the Group may not be able to complete the development or construction of its current or future projects on time or within budget which may be subject to the actual circumstances during the construction period including supply of skilled labour and unforeseen environmental problems.

In addressing these risks, the Group has constantly monitored status of its spring water sources and engaged hot spring experts for conducting annual check on the quality and quantity of its spring water sources. The Group has also maintained an internal control system for checking the expiry date of qualification certificates and relevant PRC government approvals. This allows the Group to ensure that the Group has all requisite consent and licence to conduct its businesses lawfully. In addition, the Group will take a cautious approach when considering potential acquisition opportunities and will only do so if and when the Group has sufficient financing resources and if it is in the interest of the Group to do so.

The other risks and uncertainties incidental to the Group's business operations are detailed further in the Prospectus.

Financial Review

Turnover

For the Year, the Group recorded turnover of approximately RMB52.7 million (2022: approximately RMB41.9 million), representing an increase of approximately 25.7% when compared with that of the previous year. The increase in turnover was primarily attributable to the increase in revenue generated from the Group's hot spring resort, hotel operations and tourism property development business. The turnover from the Group's hot spring resort and hotel operations increased by approximately 15.9% from approximately RMB41.5 million in the previous year to approximately RMB48.1 million for the Year. Such increase was mainly driven by a decrease in admission and catering income due to the resurgence of the novel coronavirus (COVID-19) which slowed down the recovery of hot spring resort and hotel business. The Group's revenue from its tourism property development business recorded an increase of approximately 998% from approximately RMB0.4 million for the year ended 31 December 2022 to approximately RMB4.6 million for the Year. The increase was primarily attributable to the increase in GFA delivered and sold of Gudou Yishui Mingting Apartments and Guanshanyue Apartments recorded during the Year.

Cost of Sales

The Group's cost of sales for the Year was approximately RMB57.9 million, representing a decrease of approximately 30.2% from approximately RMB83.0 million for the year ended 31 December 2022. Such decrease was primarily due to the decrease in a provision for loss on properties held for sale during the Year. The cost of sales of the Group's hot spring resort and hotel operations increased by approximately 16.1% to RMB52.9 million for the Year which was mainly attributable to the increase in staff costs, material costs and energy expenses in line with the growth of the revenue.

Gross Loss and Gross Loss Margin

The Group's gross loss for the Year was approximately RMB5.2 million, representing a decrease when compared with its gross loss of approximately RMB41.1 million for the year ended 31 December 2022. The Group's gross loss margin decreased from approximately 98.1% for the year ended 31 December 2022 to gross loss margin of approximately 10.0% for the Year, which reflected the decrease in the provision for loss on properties held for sale and the decrease in the gross loss margin for hot spring resort and hotel operations.

For the Year, the gross loss margin for hot spring resort and hotel operations was approximately 10.0% (2022: gross loss margin approximately 9.9%). The change is primarily due to an increase in revenue from the hot spring resort and hotel operations and the extent of increase in cost of sales being less than the increase in revenue from the hot spring resort and hotel operations because certain operating costs were partially fixed in nature. The gross loss margin for tourism property development for the Year was approximately 9.1% (2022: gross loss margin approximately 8,836%). Such increase is mainly due to the decrease in a provision for loss on properties held for sale for the Year.

Fair Value Losses on Investment Properties

The Group's investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. The Group's investment properties were under medium-term leases in the PRC and were classified into two categories, land held for undetermined use and land held for development of investment properties. Fair value losses on investment properties of the Group for the Year was approximately RMB53.9 million in value, while there was a fair value loss of RMB27.1 million in previous year.

Selling Expenses

The Group's selling expenses for the Year were approximately RMB6.0 million, representing a increase of approximately 35.8% over the selling expenses of approximately RMB4.4 million for the previous year. The increase is primarily attributable to the increase in sales and other tax incurred by the Group in connection with the increased in revenue during the year.

Administrative Expenses

The Group's administrative expenses for the Year were approximately RMB26.8 million, representing a decrease of approximately 6.8% over the administrative expenses of approximately RMB28.8 million for the year ended 31 December 2022. The decrease was mainly attributable to the decrease in staff costs during the Year.

Income Tax Credit

The Group's income tax credit for the Year were approximately RMB12.0 million, representing an decrease by approximately 23.4% from approximately RMB15.7 million tax credit for the year ended 31 December 2022, which is mainly due to an increase in PRC enterprise income tax and an increase in deferred tax credit, which reflects the fair value losses on investment properties of the Group during the Year.

Net Loss and Net Loss Margin

The Group's net loss for the Year was approximately RMB98.5 million, representing an decrease in loss when compared to the net loss of the Group of approximately RMB132.7 million for the year ended 31 December 2022. Such decrease in net loss was primarily attributable to the decrease in impairment losses on financial assets and the provision for loss on properties held for sale.

The Group's net loss margin (which is calculated by dividing its net loss for the relevant period by the turnover for the same period) was approximately 187.0%, representing a decrease in loss when compared to the net loss margin of the Group of approximately 316.7% for the year ended 31 December 2022. Such decrease was mainly due to (i) a decrease in gross loss; (ii) an increase in fair value losses on investment properties; and (iii) a decrease in impairment losses on financial assets and the provision for loss on properties held for sale.

Liquidity and Financial Resources and Capital Structure

During the Year, the operations of the Group were funded by internally generated cash flows and borrowings.

As at 31 December 2023, the Group had bank and cash balances of approximately RMB3.6 million which were denominated in RMB and Hong Kong dollars.

There is no outstanding capital commitments of the Group as at 31 December 2023 (2022: Nil).

As at 31 December 2023, the Group had an outstanding bank loan of RMB219.6 million which were denominated in RMB and Hong Kong dollars, among which approximately RMB109.2 million were fixed rate borrowings. The annual loan repayment amounted to approximately RMB64.6 million, which was in line with the Group's repayment schedule. The proceeds from the borrowings were primarily used for capital expenditure, working capital and operating expenses of the Group. As at 31 December 2023, the Group had an outstanding loan from a related party of RMB7.1 million.

The Group's gearing ratio as at 31 December 2022 and 2023, which was calculated by dividing its total borrowings by its total equity as at those dates, was approximately 0.97 and 1.23, respectively. The Group's gearing ratio as at 31 December 2023 increased because of the decreased level in the total capital.

The Group remains committed to a high degree of financial control, a prudent risk management and the best utilisation of financial resources. In order to achieve better cost control and minimise its costs of funds, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated in RMB, followed by HK dollars.

Charges on Group Assets

As at 31 December 2023, an amount of approximately RMB457.3 million (2022: approximately RMB513.6 million) was pledged to certain banks to secure bank facilities granted to the Group.

Significant Investments/Material Acquisitions and Disposals

Save as disclosed above, the Group had not made any significant investments or material acquisitions and disposals of subsidiaries during the Year.

Litigation and Contingent Liabilities

Subsequent to the discharge of the Joint Operation with GD Aoyuan, the Group has received several claims from the contractors of the Joint Operation for the settlements of outstanding construction and other costs amounting to RMB31 million. The Group has accrued the corresponding amount but considering these settlements related to the operation of the Joint Operation should be borne by GD Aoyuan in accordance with the Joint Operation Agreements, the Group has accounted for the construction costs to be settled on behalf of GD Aoyuan.

In addition, the PRC Court has not concluded the litigation on the Commitment Letter as of the announcement date and thus any possible settlement relating to this dispute is currently unknown. Nevertheless, based on the PRC legal advice, the Directors do not expect that the litigation will have a material adverse effect on the Group's financial position or results of operations. No provision for liabilities in this respect has been made in the consolidated financial information for the year ended 31 December 2023.

Exposure to Fluctuations in Exchange Rates

The Group's revenue and costs are primarily denominated in RMB. Some costs may be denominated in Hong Kong dollars. The Group currently does not have a foreign currency hedging policy. However, the Directors continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Human Resources

As at 31 December 2023, the Group had a workforce of 246 full-time employees of whom approximately 97.8% were employed in the PRC and approximately 2.2% in Hong Kong. The Group's staff costs for the years ended 31 December 2022 and 2023 amounted to approximately RMB23.9 million and RMB22.6 million, respectively. The Group hires part-time employees from time to time to cope with additional staffing requirements for our hot spring resort and hotel operations during peak seasons. All qualified employees of the Group in Hong Kong are required to participate in the Mandatory Provident Fund Scheme of Hong Kong under which the Group is required to contribute a fixed percentage of the employees' payroll costs (up to a maximum of HK$1,500 per month) to the scheme. For the employees of the Group's PRC subsidiaries, the Group makes contributions to various government sponsored employee benefit funds, including housing provident fund, basic pension insurance fund, basic medical insurance, unemployment insurance, maternity insurance and work related injury insurance funds in accordance with applicable PRC laws and regulations.

To uphold the "Gudou" brand image and to ensure the quality of our service, all our new hotel staff are required to attend a three-day hospitality pre-job training. The Group also provides hospitality training to its hotel staff on a monthly basis. The Group provides its employees with work safety training to enhance their safety awareness.

The Group generally recruits its employees from the open market. The Group formulates its recruitment policy based on market conditions, the business demands and expansion plans of the Group. The Group offers different remuneration packages to our staff based on their positions. In general, the Group pays basic salary and incentive, based on years of service, to all its employees. The Group's sales personnel and service personnel will also receive additional payment based on their individual skills and performance.

Environmental Matters

The Company is subject to environmental laws and regulations in the PRC which govern, among others, air pollution, noise pollution and water and waste discharge. As required by the applicable laws and regulations in the PRC, property development project is required to submit an environmental impact assessment report to the relevant governmental authorities for approval before the commencement of construction work. Property developers are also required to obtain various approvals and permits at various stages of their property development projects.

The Company outsources its construction work to construction contractors, who are independent third parties. Pursuant to the respective agreements entered into between the construction contractors and the Group, the construction contractors and any subcontractors, are required to comply with the environmental impact assessment requirement and the applicable environmental laws and regulations in the PRC. During the Year, the Group paid approximately RMB37,000 (2022: RMB37,000) as the annual fee for compliance with the applicable environmental laws and regulations in the PRC.

During the Year and to the best of the Directors' knowledge, the Group did not receive any complaint from its customers or any other parties in respect of any environmental protection issues, and the Group has not experienced any material environmental incidents arising from its manufacturing activities. During the Year, no material administrative sanctions or penalties were imposed upon the Group for the violation of environmental laws or regulations which had an adverse impact on its operations.

SUPPLEMENTAL INFORMATION REGARDING THE QUALIFIED OPINION

The Company's and Audit Committee's view and position as to the Audit Qualification

The qualified opinion as disclosed in the independent auditor's report for the year ended 31 December 2023 ("Audit Qualification") is related to the limitation of scope on the financial information of a joint operation (the "Joint Operation") with Guangdong Aoyuan Company Limited ("GD Aoyuan").

Reference is made to the announcements of the Company dated 30 March 2023 and 27 April 2023 respectively. The auditor of the Company issued two letters to the Board and its audit committee of the Board, which listed out, among other things, the following major unresolved matters for which more information and/or explanation is required for the auditor to complete its audit procedures:–

(i) The consolidated financial statements of the Group for FY 2022 include the relevant financial information of the Joint Operation. The auditor understands that GD Aoyuan was primarily responsible for maintaining the books and records of the Joint Operation. The auditor was advised by the management of the Group that GD Aoyuan was not cooperative in the provision of information and records, and the auditor has not obtained all information, supporting and documents for the financial information of the Joint Operation;

(ii) The auditor circulated a confirmation to GD Aoyuan on its balance with the Group and the financial information of the Joint Operation, and received a reply stating that it disagrees with the balances with the Group; and

(iii) The auditor also received copy of documents including a commitment letter made by GD Gudou in favour of GD Aoyuan in the sum of RMB15 million and the loan agreements made between GD Gudou and GD Aoyuan in relation to the loan in the total sum of RMB50 million from a third party purportedly executed by GD Gudou, whereby the auditor of the Company had no relevant information and records.

In order to address with the audit issues as stated above, the auditor of the Company requested the Company to form an independent investigation committee to conduct an independent investigation on the above unresolved matters. Also, the Company has appointed BT Corporate Governance Limited ("BT Corporate") to conduct an independent review and prepare a review report, details of which were set out in the announcement of the Company dated 27 March 2024.

In the independent investigation report, BT Corporate found that the existence of the RMB15 million loan under the Commitment Letter is questionable. Also, BT Corporate has identified several internal control deficiencies of the Company, such as insufficient supervision on the Joint Operation, lack of written record of the background check and site visit on GD Aoyuan, inadequate internal control and no proper execution of the relevant internal control system on using seals and chops. For the details of the internal control deficiencies identified and the remedial measures taken by the Company, please refer to the announcement of the Company on 27 March 2024.

The management of the Company expects the said Audit Qualification could be removed when the disputes in relation to the Joint Operation is resolved, or when sufficient and appropriate audit evidence could be obtained. The Company is about to apply to the PRC Court for a ruling on the entitlements of sharing profits between the parties. As advised by the PRC legal adviser of the Company, the Company expects the application would be made shortly in June 2024. Depending on the schedule of the PRC Court, the ruling may be available in the latter half of 2024 or in early 2025. Meanwhile, the Company will continue to arrange for the sale of the completed property units of the Joint Operation. The sale proceeds will be kept in the Designated Bank Accounts. Upon obtaining of the PRC Court's ruling, the Company will know how the proceeds of the Joint Operation will be distributed after the liquidation of the Joint Operation. The Company is also working hard in attempt to resolve the audit limitations. As such, the management of the Company expects that, subject to auditor's performance of alternative audit procedures in relation to the relevant scope limitation areas, the Audit Qualifications might be retained for the 1 or 2 years since the audited financial results for year ended 31 December 2023. In any event, the Company considers that since the major business segment of the Company has not been affected by the incident of the Joint Operation, the impact arising from the scope limitation of the Joint Operation is contained.

The Audit Committee is of the view that, given the Joint Operation has already been discharged with effect from 19 May 2023, once there is a ruling on the entitlements over the Joint Operation and settlements between the parties and upon the liquidation of the Joint Operation, there will no longer be any disputes with GD Aoyuan. Also, the Group is responsible for maintaining the books and records of the projects after the termination of the Joint Operation. As such, the Audit Committee expects that the necessary audit evidence can be provided for the audit purpose. The auditor will continue to work with the Company in resolving the Audit Qualification.

DIVIDEND

The Board does not recommend payment of any final dividend in respect of the Year. During the Year, no final dividend was paid.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE PRACTICES

During the Year, the Company has complied with the code provisions set out in the CG Code as may be applicable save for the deviations mentioned below.

1. Mr. Hon is currently performing the roles of chairman and chief executive officer of the Company. Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should not be performed by the same individual. Taking into account Mr. Hon's strong expertise in the hot spring and hotel industry, the Board considered that the roles of chairman and chief executive officer being performed by Mr. Hon enables more effective and efficient overall business planning, decision making and implementation thereof by the Group. In order to maintain good corporate governance and fully comply with such code provision, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

EVENTS AFTER THE REPORTING PERIOD

Except as disclosed elsewhere in the consolidated financial information, there were no other material subsequent events took place after 31 December 2023.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference that comply with the required of the CG Code. The audit committee currently comprises all independent non-executive Directors, namely Mr. Chan Cheuk Ho, Mr. Wu Sai Him and Ms. Zhang Shaomin, and is chaired by Mr. Chan Cheuk Ho. The audit committee has reviewed the annual results of the Group in respect of the Year.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

"Board"	the board of Directors of the Company
"CG Code"	Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules

"close associate(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Company"	Gudou Holdings Limited (古兜控股有限公司), a company incorporated as an exempted company with limited liability in the Cayman Islands
"Director(s)"	the director(s) of the Company
"GD Aoyuan"	Guangdong Aoyuan Group Company Limited (奧園集團(廣東)有限公司), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of China Aoyuan Group Limited
"GEM"	the GEM of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM, as amended, supplemented and/or otherwise modified from time to time as the context may require
"GFA"	gross floor area
"Group"	the Company and its subsidiaries
"Guangdong Gudou"	Guangdong Gudou Travel Group Company Limited* (廣東古兜旅遊集團有限公司), a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company
"Guanshanyue Apartments"	Guanshanyue Apartments* (觀山悦公館), a tourism property project under development jointly developed by Guangdong Gudou Travel Group Company Limited* (廣東古兜旅遊集團有限公司) and GD Aoyuan in the Gudou Hot Spring Resort
"Gudou Hot Spring Resort"	Gudou Hot Spring Resort* (古兜溫泉綜合度假村), the hot spring resort located at Jiangmen City, Guangdong Province, the PRC and operated by the Group
"Gudou Yishui Mingting Apartments"	Gudou Yishui Mingting Apartments* (古兜依水茗亭), a tourism property project under development jointly developed by Guangdong Gudou Travel Group Company Limited* (廣東古兜旅遊集團有限公司) and GD Aoyuan in the Gudou Hot Spring Resort
"Heart of Spring Apartments"	Heart of Spring Apartments* (泉心養生公寓), a completed tourism property project in the Gudou Hot Spring Resort

"HK$" or "HK dollar(s)"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"LAT"	Land Appreciation Tax
"Listing"	the listing of the Shares on GEM of the Hong Kong Stock Exchange on 9 December 2016
"Mountain Seaview Vacation Residence"	Mountain Seaview Vacation Residence* (山海度假公館), a completed tourism property project in the Gudou Hot Spring Resort
"Occupancy Rate"	Total Occupied Room Nights of a hotel during a period divided by the Total Available Room Nights
"Year"	the year ended 31 December 2023
"PRC" or "China" or "Mainland China"	the People's Republic of China, save that, for the purpose of this announcement and unless the context otherwise requires, references in this announcement do not include Hong Kong, Macau Special Administrative Region and Taiwan
"Prospectus"	the prospectus of the Company dated 30 November 2016 issued in connection with the Listing
"Room Revenue"	revenue generated from room rates (including related service charges) of the themed hotel complexes in the Gudou Hot Spring Resort
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Total Available Room Nights"	all rooms nights available for sale excluding those under renovation or repair and those not for letting

"Total Occupied Room Nights"	all rooms nights sold and including nights provided to guests and property owners on a complimentary basis
"Yuequan Huju Hotel"	Yuequan Huju Hotel* (月泉湖居酒店), a new themed hotel complex in the Gudou Hot Spring Resort which commenced operation in July 2019
"%"	per cent

In this announcement, the terms "associate(s)", "close associate(s)", "connected", "connected person(s)", "core connected person(s)", "controlling shareholder", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings ascribed thereto under the GEM Listing Rules, unless the context otherwise requires.

The English translation of names or any descriptions in Chinese are marked with "*" and is for identification purpose only.

By order of the Board of
Gudou Holdings Limited
Hon Chi Ming
Chairman

Hong Kong, 5 May 2024

As at the date of this announcement, the executive Directors are Mr. Hon Chi Ming, Mr. Huang Zhanxiong, Mr. Wang Jun and Mr. Liang Juquan, the non-executive Director is Mr. Tam Man Chiu, and the independent non-executive Directors are Mr. Wu Sai Him, Mr. Chan Cheuk Ho and Ms. Zhang Shaomin.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Listed Company Information" page for at least seven days from the date of its posting. This announcement will also be published on the Company's website at www.gudouholdings.com.