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 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

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This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this announcement misleading.

ANNUAL RESULTS

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2016 together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	**2016** **RMB'000**	2015 *RMB'000*
Revenue	*5*	**185,052**	202,153
Cost of sales		**(120,727)**	(107,890)
Gross profit		**64,325**	94,263
Other income		**1,254**	387
Fair value gains on investment properties		**23,660**	21,343
Selling expenses		**(25,702)**	(28,768)
Administrative expenses		**(56,545)**	(41,082)
Profit from operations		**6,992**	46,143
Finance costs		**(41,140)**	(46,442)
Loss before tax		**(34,148)**	(299)
Income tax expenses	*6*	**(12,499)**	(15,193)
Loss for the year		**(46,647)**	(15,492)
Other comprehensive loss for the year, net of tax			
Items that may be reclassified to profit or loss:			
Currency translation differences		**(14,748)**	(9,151)
Total comprehensive loss for the year		**(61,395)**	(24,643)
Loss per share			
Basic and diluted *(RMB cents)*	*8*	**(0.529)**	(0.212)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 *RMB'000*	2015 *RMB'000*
Non-current assets			
Property, plant and equipment		**261,674**	197,667
Prepaid land lease payments		**7,805**	8,131
Investment properties		**558,280**	574,610
Deposits and prepayments		**13,430**	26,423
Deferred tax assets		**6,581**	6,338
		847,770	813,169
Current assets			
Properties held for sale		**80,042**	36,923
Inventories		**3,332**	3,261
Accounts receivable	*9*	**26,244**	42,567
Prepaid land lease payments		**326**	326
Prepayments, deposits and other receivables		**28,444**	25,611
Restricted bank deposits		**91,846**	54,489
Bank and cash balances		**66,926**	32,599
		297,160	195,776
Current liabilities			
Accounts payable	*10*	**54,876**	26,699
Proceeds received from pre-sale of properties		**43,429**	5,406
Accruals and other payables		**57,423**	59,488
Borrowings		**152,415**	106,834
Loans from shareholders		**—**	59,198
Puttable shares		**—**	106,559
Current tax liabilities		**16,957**	12,971
		325,100	377,155
Net current liabilities		**(27,940)**	(181,379)
Total assets less current liabilities		**819,830**	631,790
Non-current liabilities			
Borrowings		**312,556**	312,992
Deferred tax liabilities		**148,543**	143,934
Deferred income		**9,458**	—
		470,557	456,926
NET ASSETS		**349,273**	174,864
Capital and reserves			
Share capital	*11*	**8,669**	301
Reserves		**340,604**	174,563
TOTAL EQUITY		**349,273**	174,864

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Clifton House, 75 Fort Street, 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 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 on 9 December 2016.

The Company is an investment holding company. The principal activities of its subsidiaries are hot spring resort, hotel operations and tourism property development.

These financial statements are presented in RMB, unless otherwise stated.

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

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

3. Going concern

The Group's current liabilities exceeded its current assets by RMB27,940,000 as at 31 December 2016. The proceeds received from pre-sale of properties included in current liabilities was non-refundable as it was the deposit paid by the buyers in accordance with the terms of the sale and purchase agreement. Excluding the amount of the proceeds received from pre-sale of properties of RMB43,429,000 included in current liabilities, the Group would have net current assets of RMB15,489,000 as at 31 December 2016. The directors are of the opinion that, taking into account the anticipated cash flows generated from the Group's operations, possible changes in its operating performance, as well as the availability of bank facilities, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 31 December 2016. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

4. Changes in accounting policy and disclosures

(a) Adoption of new and amended standards

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

The adoption of these amendments in current year does not have any significant financial effect on the consolidated financial statements or result in any substantial changes in the Group's significant accounting policies.

(b) New and amended standards not yet adopted

The following new and amended standards which are relevant to the Group's operation have been issued and are effective for period beginning after 1 January 2016 but have not been early adopted by the Group:

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

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 The effective date of this amendment is not yet determined.

3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

The Group will adopt the above new and amended standards as and when they become effective.

The Group has already commenced an assessment of the related impact to the Group of adopting the above new and amended standards but is not yet in a position to state whether they will have a significant impact on its results of operations and financial position.

5. Revenue

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

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Property sales	**75,361**	103,871
Room revenue	**58,898**	51,659
Admission income	**18,955**	18,917
Catering income	**23,661**	21,023
Rental income	**1,347**	871
Massage service income	**2,265**	2,045
Conference fee income	**1,560**	1,109
Other service income	**3,005**	2,658
	185,052	202,153

6. Income tax expenses

For the year ended 31 December 2016, no provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong (2015: Nil). The Group's subsidiaries in the PRC are subject to the PRC enterprise income tax at a rate of 25% on estimated assessable profits.

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current tax		
Hong Kong profits tax	**—**	—
PRC enterprise income tax	**1,840**	4
Land appreciation tax	**6,293**	9,180
	8,133	9,184
Deferred tax	**4,366**	6,009
	12,499	15,193

The revenue from property sales as described in Note 5 included sales of villas and apartments. LAT on sale of villas is levied on 6% of property sales in accordance with the authorised tax valuation method approved by respective local tax bureau. Under the applicable tax regulations, LAT is charged at progressive rate from 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 determined by the local tax bureau. The management adopted the progressive rate from 30% to 60% according to their best estimation.

7. Dividend

No dividend was paid or declared by the Company during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

8. Loss per Share

(a) Basic

Basic loss 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	
	2016	2015
Loss attributable to owners of the Company *(RMB'000)*	**(46,647)**	(15,492)
Weighted average number of ordinary Shares in issue *('000)* *(Note)*	**88,103**	73,243
Basic loss per Share *(RMB cents per Share)*	**(0.529)**	(0.212)

Note

The weighted average number of ordinary Shares was calculated by deducting the weighted average of puttable shares and adjusted for the capitalisation issue of 712,000,000 Shares which took place on 9 December 2016 (Note 11).

(b) Diluted

For the year ended 31 December 2015 and 2016, the diluted loss per Share was equal to the basic loss per Share because the Company was in loss position.

9. Accounts receivable

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Accounts receivable	**26,244**	42,567

The ageing analysis of accounts receivable, based on the invoice date for travel agencies and corporate customers, or scheduled repayment dates for property unit purchasers is as follows:

	Group					
	As at 31 December					
	2016			2015		
	Travel agencies	**Property purchasers**	**Total**	Travel agencies	Property purchasers	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Up to 30 days	**2,185**	**22,140**	**24,325**	6,459	33,932	40,391
31 to 60 days	**939**	**—**	**939**	1,470	—	1,470
61 to 90 days	**294**	**—**	**294**	331	—	331
91 to 180 days	**264**	**—**	**264**	106	—	106
181 to 365 days	**32**	**—**	**32**	132	—	132
1 to 2 years	**390**	**—**	**390**	137	—	137
	4,104	**22,140**	**26,244**	8,635	33,932	42,567

10. Accounts payable

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

	Group	
	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Up to 90 days	**31,542**	12,948
91 to 180 days	**4,066**	4,301
181 to 365 days	**16,132**	5,626
1 to 2 years	**905**	250
Over 2 years	**2,231**	3,574
	54,876	26,699

11. Share capital

	Number of Shares *(thousands)*	Share capital *RMB'000*
As at 31 December 2015	38,000	301
Issue of Shares pursuant to the capitalisation issue *(note a)*	712,000	6,325
Issue of Shares pursuant to the Placing *(note b)*	230,000	2,043
As at 31 December 2016	980,000	8,669

Notes:

(a) 712,000,000 Shares of HK$0.01 each were issued at par value to the Shareholders by way of capitalisation of HK$7,120,000 (equivalent to RMB6,325,000) from the Company's share premium account.

(b) The Company was listed on the Hong Kong Stock Exchange on 9 December 2016. In connection with the Placing, the Company issued a total of 230,000,000 Shares at a price of HK$0.60 per Share for a total proceeds (before related fees and expenses) of HK$138,000,000. These new Shares rank pari passu with the existing Shares in all respects.

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 2016 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to this set out in the Group's draft 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 review

The Shares of the Company were listed on GEM on 9 December 2016. The Group is principally engaged in the operation and management of Gudou Hot Spring Resort and the development and sale of tourism properties within Gudou Hot Spring Resort.

During the Period, the Group recorded a turnover of approximately RMB185.1 million, representing a decrease of approximately 8.5% when compared to that of the previous year. The loss for the Period was approximately RMB46.6 million, representing an increase of approximately 201.1% when compared to the previous year. The Company's financial position in the Period was materially and adversely affected by certain factors, in particular:

(i) a decrease in revenue generated from the tourism properties development, given that (a) the sale of the Mountain Seaview Vacation Apartments moderated in 2016 as Mountain Seaview Vacation Apartments was completed and delivered towards the end of 2014; and (b) Joyful Apartments was completed towards the end of 2016 and only certain pre-sold units of Joyful Apartments were delivered and related revenue were recognised for the Period. As at 31 December 2016, 47 units of Joyful Apartments were pre-sold but not yet delivered;

(ii) an increase in the staff cost and the fact that the Company started to recognise renovation costs of Mountain Seaview Hotel since 2016 and the depreciation of the new entrance of Gudou Hot Spring Resort which came into use in 2016;

(iii) an increase in Director's fees and professional fees as a result of the Listing; and

(iv) non-recurring listing expenses.

Given that some of the above factors are not recurring in nature, the Company expects that the financial positions of the Group will be improved in 2017. The Company will make good use of its financial resources obtained from the Listing for operating the hot spring resort and hotels and expanding its tourism property development businesses.

Hot Spring Resort and Hotel Operations

The hot spring resort and hotel operations business has demonstrated encouraging growth in the Period when compared to the previous year which is in line with the Group's established business strategy to enhance the "Gudou" brand across the PRC. The Group's turnover derived from hot spring resort and hotel operations increased by approximately 11.6% to approximately RMB109.7 million when compared to the previous year. The room revenue generated from the themed hotel complexes increased by approximately 14.0% in the Period compared to that for 2015, while the occupancy rate of the themed hotel complexes decreased by approximately 6.7% from approximately 54.6% in 2015 to approximately 47.9% in 2016. The Company believes that the decrease in occupancy rate was mainly due to the opening of the Mountain Seaview Hotel in February 2016 which led to an increase in Total Available Room Nights and an increase in turnover from hotel operations. The RevPAR of the themed hotel complexes for the Period decreased to approximately RMB133.2 compared to approximately RMB182.0 for 2015, mainly due to an increase in Total Available Room Nights of the themed hotel complexes.

Tourism Property Development

Despite the fact that the property development industry in Jiangmen City showed signs of recovery, the Group recorded approximately 27.4% decrease in revenue from the tourism property development business of approximately RMB75.4 million in 2016 as compared to approximately RMB103.9 million in 2015. Such decrease was mainly attributable to the decrease in GFA delivered and sold of tourism properties under Mountain Seaview Vacation Apartments which were completed and delivered towards the end of 2014, while the Joyful Apartments was completed and delivered towards the end of 2016.

During the Period, the Company sold and delivered 61 units of Mountain Seaview Vacation Apartments, sold/presold 172 units of Joyful Apartments among which 125 units were delivered and 47 units were not yet delivered as of 31 December 2016 and pre-sold 134 units of Mountain Seaview Vacation Residence, representing approximately 13.9%, 94.3% and 35.2% of the total saleable GFA of Mountain Seaview Vacation Apartments, Joyful Apartments and Mountain Seaview Vacation Residence respectively. During the Period, the Company received proceeds from sales/pre-sales and earnest money from Mountain Seaview Vacation Apartments, Joyful Apartments and Mountain Seaview Vacation Residence of approximately RMB48.6 million, RMB43.1 million and RMB38.8 million respectively. The Group is pleased to announce that Joyful Apartments passed all the necessary development inspection and acceptance in November 2016 and the Company planned to further sell and deliver the properties in the first half of 2017. Progress of these tourism property development projects was in line with the Company's plans and directions.

Outlook

Looking ahead in 2017, the Company will substantiate its growth and create long-term Shareholder's value by focusing primarily on the PRC hot spring and hotel market and expanding its tourism property development business through the implementation of its core business strategies. The Company will continue to operate Gudou Hot Spring Resort and provide quality services to its customers with a belief in the importance of health regimen to human beings and well-being of body and mind. The Company will continue to organise promotional events to enhance its "Gudou" brand and conduct market research for planning new hot spring resorts and hotels.

Tourism property development will continue to be the Company's focus in 2017. The Company expects the construction of Mountain Seaview Vacation Residence will be completed in the fourth quarter of 2017 and to obtain the construction permit for the Heart of Spring Apartments in the second quarter of 2017. According to the Group's revenue recognition policy, the Group will recognise revenue from property sales when the construction is completed and properties are delivered to its customers. If the sale of Mountain Seaview Vacation Residence proceeds in accordance with its development schedule, the Company expects its performance in tourism property development will be improved in 2017. The Group's fifth theme hotel complex, Joyful Hotel commenced operation in 2017. The Company expects to achieve a sustainable growth in hot spring resort and hotel operations in 2017. As and when appropriate opportunities arise, the Company will also consider and evaluate the possibility and feasibility of providing management services to other hot spring resort owners.

Besides, the Hong Kong-Zhuhai-Macau Bridge is expected to be commissioned in 2017, which will shorten the travel distance and time between Hong Kong and Gudou Hot Spring Resort by land. Jiangmen-Luoding Highway was completed and started operation on 28 December 2016. The Company believes the improving transportation network and infrastructure will make Gudou Hot Spring Resort more accessible and bring in more guests across the PRC.

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 2016. 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 2016
1. Continue to enhance the Group's position in the hot spring and hotel industry	As the Company was listed on 9 December 2016, the Group's effort in respect of enhancing its position in the hot spring and hotel industry in 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 policy, 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, led by Mr. Huang Zhanxiong, will continue to identify and evaluate potential business opportunities. During the Period, the Group entered into a non-legally binding letter of intent with an independent third party regarding provision of management services of a hotel proposed to be built in Jiangmen City.
2. Plan to expand the tourism property development business of the Group	To prepare for the expansion of the tourism property development business, the Group has 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. As of 31 December 2016, the Group is developing two tourism property projects within Gudou Hot Spring Resort, namely Mountain Seaview Vacation Residence which will comprise mainly high-rise apartments and Heart of Spring Apartments which will comprise mainly low-rise apartments and commercial units. The two projects are on-going in accordance with the Group's development plan and marketing schedule.

Business Objectives	Actual Business Progress up to 31 December 2016
3. Continue to enhance the "*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 its tourism property development business. During the Period, the Group has also organised a number of promotional events to promote the "*Gudou*" brand, such as: • crab festival in April 2016 • carnival in May 2016 • bitter gourd festival in June 2016 • Christmas town in December 2016

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 with developments in the market.

The Group believes that service and property quality is the key to maintain 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 is also dedicated to maintaining good relationship with suppliers as long-term business partners to ensure stability of the Group's business.

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 its 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 developments 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 hot spring resorts involves 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, the Group 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 engage 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 its qualification certificates and relevant PRC government approvals. This allows the Group to ensure that it 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 thinks 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.

Use of proceeds from the placing

Net proceeds in the amount of approximately HK$130.6 million were raised from the Placing. As at 31 December 2016, approximately HK$79.3 million from the net proceeds raised from the Placing had been applied towards the repayment of shareholders' loans. Approximately HK$0.8 million from the net proceeds raised from the Placing was applied towards the Group's working capital during the Period. The Group intends to use the remaining net proceeds of approximately HK$50.5 million from the Placing for (i) funding a portion of construction and development costs for three tourism property development projects; (ii) enhancing the Gudou Hot Spring Resort and its existing facilities; and (iii) the working capital and other general corporate purpose, which is in line with the intended use of proceeds as set out in the Prospectus. The unused net proceeds have been placed as interest bearing deposits with a licensed bank and operating cash in current accounts in a licensed bank in Hong Kong.

Financial Review

Turnover

For the Period, the Group recorded turnover of approximately RMB185.1 million (2015: approximately RMB202.2 million), representing a decrease of approximately 8.5% when compared with the previous year. The decrease in turnover was primarily attributable to the decrease in revenue generated from the Group's tourism property development, partially offset by the increase in revenue generated from the Group's hot spring resort and hotel operations. The Group's turnover attributable to hot spring resort and hotel operations recorded a growth of approximately 11.6% from approximately RMB98.3 million for the year ended 31 December 2015 to approximately RMB109.7 million for the Period. The increase was primarily attributable to an increase in the number of visitors to the Gudou Hot Spring Valley and the commencement of operation of the Group's fourth themed hotel complex, Mountain Seaview Hotel in February 2016. The Group's turnover from tourism property development decreased by approximately 27.4% from approximately RMB103.9 million for the previous year to approximately RMB75.4 million for the Period. Such decrease was mainly attributable to the decrease in GFA delivered and sold of tourism properties under Mountain Seaview Vacation Apartments which were completed and delivered towards the end of 2014, while the Joyful Apartments was completed and delivered towards the end of 2016.

Cost of Sales

The Group's cost of sales for the Period was approximately RMB120.7 million, representing an increase of approximately 11.9% from approximately RMB107.9 million in respect of the year ended 31 December 2015. Such increase was primarily due to an increase in cost of sales of the Group's hot spring resort and hotel operations which was primarily attributable to an increase in revenue from the Group's hot spring resort and hotel operations and the commencement of the amortisation of prepayments for renovation for Mountain Seaview Hotel, partially offset by a decrease in cost of sales of the Group's tourism property developments, which was mainly as a result of a decrease in the GFA sold and delivered during the Period.

Gross Profit and Gross Profit Margin

In line with the Group's decreased turnover, the Group's gross profit for the Period was approximately RMB64.3 million, representing a decrease by approximately 31.8% when compared with its gross profit of approximately RMB94.3 million for the year ended 31 December 2015. The Group's gross profit margin decreased from approximately 46.6% for the year ended 31 December 2015 to approximately 34.8% for the Period, which reflects the decrease in gross profit margin for hot spring resort and hotel operations and the larger portion of revenue generated from hot spring resorts and hotel operations which had a lower gross profit margin than that of tourism property development.

For the Period, the average gross profit margin for hot spring resort and hotel operations was approximately 19.2% (2015: approximately 33.9%). The decrease reflects primarily the commencement of the amortisation of prepayments for renovation for Mountain Seaview Hotel. The average profit margin for tourism property development for the Period was approximately 57.4% (2015: approximately 58.7%). Such difference is attributable to the increase in the average cost of Joyful Apartments which were sold and delivered for the Period.

Fair Value Gains 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 gains on investment properties of the Group at the end of 2016 appreciated RMB23.7 million in value, representing an increase of approximately 10.9% as compared the gains of last year.

Selling Expenses

The Group's selling expenses for the Period was approximately RMB25.7 million, representing a decrease of approximately 10.7% over the selling expenses of approximately RMB28.8 million for the previous year. The decrease is primarily attributable to a decrease in sales tax under the Group's tourism property development from approximately RMB13.6 million for the previous year to approximately RMB10.8 million for the Period mainly as a result of the decrease in revenue from property sale.

Administrative Expenses

The Group's administrative expenses for the Period was approximately RMB56.5 million, representing an increase of approximately 37.6% over the administrative expenses of approximately RMB41.1 million for the year ended 31 December 2015. The increase was primarily attributable to an increase in the Listing expenses incurred for additional professional services of approximately 131.9% for the Group's preparation of the Listing.

Income Tax Expenses

The income tax expenses for the Period was approximately RMB12.5 million, representing a decrease by approximately 17.7% from approximately RMB15.2 million for the year ended 31 December 2015. Such decrease in the Group's income tax expenses was attributable to the decrease in LAT and deferred tax from 2015 to 2016, partially offset by an increase in the Group's profits tax for the Period.

Net Loss and Net Loss Margin

The Group's net loss for the Period was approximately RMB46.6 million, increased by approximately 201.1% when compared to the net loss of the Group of approximately RMB15.5 million for the year ended 31 December 2015. Such increase in net loss was primarily attributable to a decrease in gross profit from approximately RMB94.3 million for 2015 to approximately RMB64.3 million for the Period.

Along with the increase in the Group's net loss for the Period, its net profit margin before interest and tax (which is calculated by dividing its profits from operations for the relevant period by the turnover for the same period) has also decrease from approximately 22.8% for 2015 to approximately 3.8% for the Period. Such decrease was mainly due to a decrease in gross profit margin from approximately 46.6% for 2015 to approximately 34.8% for the Period and the increase in the Listing expenses.

Liquidity and Financial Resources and Capital Structure

Prior to the Listing, the Group's operations had generally been financed by a combination of cash generated from operations, borrowings and advances from shareholders. Net proceeds in the amount of approximately HK$130.6 million were raised from the Placing, and during the period from the Company's Listing up to 31 December 2016, the operations of the Group were funded by internally generated cash flows, borrowings and net proceeds from the Placing.

The Group's outstanding capital commitments as at 31 December 2016 amounted to approximately RMB38.3 million (2015: approximately RMB49.5 million). Such commitments primarily related to construction in progress and properties held for sale of the Group. Such outstanding commitments are expected to be funded by proceeds from the Placing, internal funds and/or bank borrowings.

As at 31 December 2016, the Group had an outstanding bank loan of RMB465.0 million. The annual loan repayment amounted to RMB230.9 million, which is in line with the Group's repayment schedule. The proceeds from the borrowings were primarily used for capital expenditure, working capital and operating expenses. The shareholders' loans were fully paid as at 31 December 2016.

The Group's gearing ratio as at 31 December 2015 and 2016, which was calculated by dividing our total borrowings by its total equity as at those dates, was approximately 3.3 and 1.3 respectively. The decrease in the Group's gearing ratio as at 31 December 2016 was primarily attributable to the repayment of shareholders' loans after Placing and the conversion of puttable shares from liability to equity after Placing.

Charges on Group Assets

As at 31 December 2016, an amount of approximately RMB466.5 million (2015: approximately RMB517.3 million) was pledged to a bank to secure bank facilities granted to the Group.

Significant Investments/Material Acquisitions and Disposals

The Group had not made any significant investments or material acquisitions and disposals of subsidiaries during the Period.

Contingent Liabilities

As at 31 December 2016, the Group did not have any significant contingent liabilities.

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 2016, the Group had a workforce of 649 full-time employees including the Directors of whom approximately 98.5% were employed in the PRC and approximately 1.5% in Hong Kong. The Group's staff costs (excluding contributions to pension schemes) for the years ended 31 December 2015 and 2016 amounted to approximately RMB43.3 million and RMB45.6 million, respectively. The Group hires part-time employees from time to time to cope with additional staffing requirements for its hot spring resort and hotel operations during peak seasons. The Group's employees in Hong Kong are required to participate in the Mandatory Provident Fund scheme under which the Group's 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 its service, all the Group's 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, its business demands and expansion plans. The Group offers different remuneration packages to its staff based on their position. 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 pay 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. During the Period, the Group paid approximately RMB38,000 (2015: RMB38,000) as the annual fee for compliance with the applicable environmental laws and regulations.

During the Period 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 Period, 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.

DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save for the Placing, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE PRACTICES

Since the date of Listing and up to 31 December 2016, the Company has complied with the code provisions set out in the CG Code, except that Mr. Hon Chi Ming 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.

ANNUAL GENERAL MEETING

The AGM of the Company will be held in Hong Kong on Friday, 19 May 2017. Notice of the AGM will be issued and disseminated to Shareholders in due course.

EVENTS AFTER THE REPORTING PERIOD

There is no material event undertaken by the Company or by the Group subsequent to 31 December 2016 and up to the date of this announcement.

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 of the Company, namely Mr. Chiu Chi Wing, Mr. Wu Sai Him and Prof. Wang Dawu, and is chaired by Mr. Chiu Chi Wing. The audit committee has reviewed the annual results of the Group in respect of the Period.

INTEREST OF COMPLIANCE ADVISER

The Company has received confirmation from its former compliance adviser, Celestial Capital Limited (the "**Former Compliance Adviser**"), that as at 31 December 2016, except for the compliance adviser's agreement entered into between the Company and the Former Compliance Adviser dated 20 April 2015 in connection with the Listing, neither the Former Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company or any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CHANGE OF COMPLIANCE ADVISER

As disclosed in the Company's announcement dated 9 March 2017, the compliance adviser agreement with the Former Compliance Adviser has been terminated with effect from 9 March 2017 as no consensus could be reached between the Company and the Former Compliance Adviser within 30 days pursuant to Rule 6A.26 of the GEM Listing Rules for an adjustment to the level of fees payable by the Company to the Former Compliance Adviser for the compliance advisory services. Zhaobangji International Capital Limited has been appointed as the replacement compliance adviser to the Company as required pursuant to Rule 6A.27 of the GEM Listing Rules with effect from 9 March 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 15 May 2017 to Friday, 19 May 2017 (both dates inclusive) for determining eligibility to attend and vote at the AGM, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m., Friday, 12 May 2017.

DEFINITIONS

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

"AGM"	the annual general meeting of the Company to be held on Friday, 19 May 2017
"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
"GEM"	the Growth Enterprise Market 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

"HKFRSs"	Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants
"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
"Period"	the year ended 31 December 2016
"Placing"	the placing of the Shares by the Company in connection with the Listing, particulars of which are set out in the Prospectus
"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
"Revenue per Available Room" or "RevPAR"	Room Revenue of a hotel (including related service charges) during a period divided by the Total Available Room Nights of such hotel during the same period
"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
"%"	per cent

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

Hong Kong, 21 March 2017

As at the date of this announcement, the executive Directors are Mr. Hon Chi Ming, Mr. Huang Zhanxiong and Ms. Zhen Yaman, the non-executive Directors are Mr. Hon Ka Fung and Mr. Hui Chin Tong Godfrey, and the independent non-executive Directors are Mr. Wu Sai Him, Mr. Chiu Chi Wing and Prof. Wang Dawu.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" 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.