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 2017

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.

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 2017 together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	**2017**	2016
		RMB'000	*RMB'000*
Revenue	*5*	**318,529**	185,052
Cost of sales		**(199,026)**	(120,727)
Gross profit		**119,503**	64,325
Other income		**19,845**	1,254
Fair value gains on investment properties		**49,840**	23,660
Selling expenses		**(22,592)**	(25,702)
Administrative expenses		**(47,072)**	(56,545)
Profit from operations		**119,524**	6,992
Finance costs		**(14,682)**	(41,140)
Profit/(loss) before tax		**104,842**	(34,148)
Income tax expenses	*6*	**(52,420)**	(12,499)
Profit/(loss) for the year		**52,422**	(46,647)
Other comprehensive income/(loss) for the year, net of tax			
Item that may be reclassified to profit or loss:			
Currency translation differences		**758**	(14,748)
Total comprehensive income/(loss) for the year		**53,180**	(61,395)

Earnings/(loss) per share

	Note	**2017**	2016
		RMB cents	RMB cents
Basic earnings/(loss) per share	*8*	**5.35**	(6.17)
Diluted earnings/(loss) per share	*8*	**5.25**	(6.17)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	**2017** *RMB'000*	2016 *RMB'000*
Non-current assets			
Property, plant and equipment		**235,932**	261,674
Prepaid land lease payments		**7,346**	7,805
Investment properties		**608,120**	558,280
Prepayment		**—**	13,430
Deferred tax assets		**1,216**	6,581
		852,614	847,770
Current assets			
Properties held for sale		**70,276**	80,042
Inventories		**3,405**	3,332
Accounts receivable	*9*	**53,188**	26,244
Prepaid land lease payments		**326**	326
Prepayments, deposits and other receivables		**55,193**	28,444
Restricted bank deposits		**13,010**	91,846
Bank and cash balances		**24,970**	66,926
		220,368	297,160
TOTAL ASSETS		**1,072,982**	1,144,930
Current liabilities			
Accounts payable	*10*	**86,401**	54,876
Proceeds received from pre-sale of properties		**250**	43,429
Accruals and other payables		**52,842**	57,423
Borrowings		**80,348**	152,415
Current tax liabilities		**46,434**	16,957
		266,275	325,100
Non-current liabilities			
Borrowings		**230,512**	312,556
Deferred tax liabilities		**159,738**	148,543
Deferred income		**9,000**	9,458
		399,250	470,557
TOTAL LIABILITIES		**665,525**	795,657
Capital and reserves			
Share capital	*11*	**8,669**	8,669
Reserves		**398,788**	340,604
TOTAL EQUITY		**407,457**	349,273
TOTAL LIABILITIES AND EQUITY		**1,072,982**	1,144,930

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 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 hot spring resort, hotel operations and tourism property development.

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

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"). 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 recorded a profit of RMB52,422,000 for the year ended 31 December 2017. In addition, the Group had net current liabilities of RMB45,907,000 as at 31 December 2017.

In preparing the Group's consolidated financial statements for the year ended 31 December 2017, the directors have taken into account all information that could reasonably be expected to be available. In particular, the directors of the Company have prepared a cash flow projection of the Group covering a period of not less than twelve months from 31 December 2017 taking into account the following:

(i) The Group will continue to generate cash inflow from its hotels and resort operation;

(ii) The Group will continue to receive proceeds from sale and pre-sale of properties in the expected timeframe; and

(iii) The Group will be able to renew its existing bank borrowings when they expire and to secure new bank loans as and when needed. As at 31 December 2017, the Group had available uncommitted facilities of RMB36,000,000 and available committed facilities of RMB16,694,000. The directors of the Company believe that the bank borrowings will be repaid in accordance with the scheduled dates as set out in the relevant loan agreements. Given the good track records and relationships the Group has with the banks, the directors are of the opinion that the banking facilities with the banks will be renewed when their current terms expire and the Group is able to secure new bank

3. Going concern (Continued)

borrowings as and when needed. Up to 23 March 2018, the Group has subsequently drawn down RMB18,000,000 from the above mentioned available uncommitted facilities of RMB36,000,000 and RMB3,840,000 from the above mentioned available committed facilities of RMB16,694,000.

The directors are of the opinion that, taking into account the anticipated cash flows generated from the Group's operations as well as the possible changes in its operating performance; successful renewal of the existing bank facilities; and securing of additional financing as and when needed, 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 2017. 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) *New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

HKAS 7 (Amendment)	Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

(b) *New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group:

		Effective for accounting year beginning on or after
HKFRS 2 (Amendment)	Classification and Measurement of Share-Based Payment Transactions	1 January 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKAS 40 (Amendment)	Transfers of Investment Property	1 January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual Improvements Project (Amendment)	Annual Improvements 2014-2016 Cycle	1 January 2018
HKFRS 16	Leases	1 January 2018
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

4. **Changes in accounting policy and disclosures** *(Continued)*

(b) New standards and interpretations not yet adopted (Continued)

The Group's assessment of the impact of these new standards and interpretations is set out below.

HKFRS 9 Financial Instruments

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income ("FVOCI"), contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect any significant changes in the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated, except in relation to changes in the fair value of foreign exchange forward contracts attributable to forward points, which will be recognised in the costs of hedging reserve.

HKFRS 15 Revenue from Contracts with Customers

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

4. **Changes in accounting policy and disclosures** *(Continued)*

(b) ***New standards and interpretations not yet adopted (Continued)***

Impact

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Revenue from pre-sales of properties under development is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may transfer over time or at a point in time. Control of the properties under development is transferred over time if the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

  When control of the property transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property.

  The progress towards complete satisfaction of the performance obligation is measured based on the property development costs incurred as a percentage of total estimated costs for complete satisfaction as allocated to the contract.

  Revenue for certain pre-sale properties contracts will be changed and recognised earlier over the period of time, instead of at a single point in time under the current accounting policy.

- The timing of revenue recognition for sale of completed properties, which is currently based on whether significant risk and reward of ownership of properties transfer, will be recognised at a later point in time when the underlying property is legally or physically transfer to the customer under the control transfer model.

- The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property will be adjusted when significant financial component exists in that contract.

- The Group provides different incentives to customers when they sign a property sale contract. Certain incentives represents separate performance obligation in a contract. Part of the consideration of the contract will be allocated to those performance obligations and recognised as revenue only when performance obligation is satisfied. The amount of revenue for the sale of property will also be reduced for any cash payment to customer which does not represent fair value of good or service provided by the customer.

- Certain costs incurred for obtaining a pre-sale property contract (e.g. sale commission), which is currently expense off in profit and loss directly, will be eligible for capitalisation under HKFRS 15 and match with revenue recognition pattern of related contract in the future.

4. Changes in accounting policy and disclosures *(Continued)*

(b) New standards and interpretations not yet adopted (Continued)

Date of adoption by Group

The Group intends to adopt the standard on all uncompleted contracts as at 1 January 2018 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The Group is estimating the overall impact of the above on the Group's retained earnings on 1 January 2018.

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB23,851,000. The Group estimates those relate to payments for short-term and low value leases which will be recognised on a straight-line bass as an expense in profit or loss are insignificant.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Mandatory application date/Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

5. Revenue

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Property sales	**193,047**	75,361
Room revenue	**49,961**	58,898
Admission income	**25,891**	18,955
Catering income	**25,985**	23,661
Rental income	**1,219**	1,347
Massage service income	**2,647**	2,265
Conference fee income	**2,769**	1,560
Consultancy service income	**13,542**	—
Other service income	**3,468**	3,005
	318,529	185,052

6. Income tax expenses

For the year ended 31 December 2017, no provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong (2016: 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	
	2017	2016
	RMB'000	*RMB'000*
Current tax		
PRC enterprise income tax	**14,471**	1,840
Land appreciation tax	**21,389**	6,293
	35,860	8,133
Deferred tax	**16,560**	4,366
	52,420	12,499

The revenue from property as described in Note 5 include sales of apartments. 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 2017, nor has any dividend been proposed since the end of the reporting period (2016: Nil).

8. Earnings/(loss) per share

Basic

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

	Year ended 31 December	
	2017	2016
Profit/(loss) attributable to owners of the Company *(RMB'000)*	**52,422**	(46,647)
Weighted average number of ordinary shares in issue *('000)*	**980,000**	755,551
Basic earnings/(loss) per share (RMB cents)	**5.35**	(6.17)

Diluted

Diluted earnings 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. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended 31 December	
	2017	2016
Profit/(loss) attributable to owners of the Company *(RMB'000)*	**52,422**	(46,647)
Weighted average number of ordinary shares in issue *('000)*	**980,000**	755,551
Adjustments for:		
Share options *(number of shares) ('000)*	**17,913**	—
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**997,913**	755,551
Diluted earnings/(loss) per share *(RMB cents)*	**5.25**	(6.17)

8. **Earnings/(loss) per share** *(Continued)*

Diluted *(Continued)*

For the year ended 31 December 2017, the conversion of potential ordinary shares in relation to the share options have a dilutive effect to the basic earnings per share. For the year ended 31 December 2016, the diluted earnings per share were equal to the basic earnings per share because the Company was in loss position.

For the year ended 31 December 2016, the weighted average number of ordinary shares were calculated by deducting the weighted average of puttable shares and was restated to reflect the retrospective effect of the Capitalisation Issue *(Note 11)*.

9. **Accounts receivable**

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Accounts receivable	**53,188**	26,244

The Group allows an average credit period ranging from 30 to 90 days to travel agencies and corporate customers in hotels and resort operation segment. For new travel agencies and corporate customers, payment in advance is normally required. Purchasers of properties units were granted with repayment periods from 15 days to 180 days according to the agreements signed. Credit evaluations are performed on all purchasers requiring credit on the transactions. The Group generally would not release the property ownership certificates to the purchasers before the purchasers finally settled the purchase consideration. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging 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:

	As at 31 December					
	2017			2016		
	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	**4,935**	**33,643**	**38,578**	2,185	22,140	24,325
31 to 60 days	**1,120**	**—**	**1,120**	939	—	939
61 to 90 days	**379**	**—**	**379**	294	—	294
91 to 180 days	**414**	**—**	**414**	264	—	264
181 to 365 days	**111**	**—**	**111**	32	—	32
1 to 2 years	**610**	**11,976**	**12,586**	390	—	390
	7,569	**45,619**	**53,188**	4,104	22,140	26,244

10. Accounts payable

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Up to 90 days	**65,390**	31,542
91 to 180 days	**4,311**	4,066
181 to 365 days	**4,305**	16,132
1 to 2 years	**11,684**	905
Over 2 years	**711**	2,231
	86,401	54,876

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

11. Share capital

	Number of shares	**Share capital**
	(thousands)	*RMB'000*
As at 1 January 2016	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 and 2017	980,000	8,669

Note:

(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 ("Capitalisation Issue").

(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 2017 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 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 RMB318.5 million, representing an increase of approximately 72.1% when compared to that of the previous year. Profit attributable to owners of the Company for the Period was approximately RMB52.4 million (loss attributable to owners of the Company for the corresponding period in 2016: RMB46.6 million). The Company's financial position in the Period improved mainly due to the following factors:

(i) a significant increase in revenue generated from the tourism properties development, mainly attributable to (a) the sale and delivery of Joyful Apartments continued in 2017; and (b) sale and delivery of Mountain Seaview Vacation Residence in the fourth quarter of 2017;

(ii) an increase in revenue generated from hot spring resort and hotel operations as the Group's new themed hotel complex, Joyful Hotel, commenced operations and attracted more visitors to Gudou Hot Spring Resort; and

(iii) commencement of provision of consultancy services in relation to strategic planning in the early stage of project development to third parties.

Given that some of the above factors are not recurring in nature, the Company expects that the financial positions of the Group will likely drop in the first quarter of 2018 as compared to the fourth quarter of 2017. The Company will continue to make good use of its financial resources obtained from its operations 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. The Group's turnover derived from hot spring resort and hotel operations increased by approximately 14.4% to approximately RMB125.5 million when compared to the previous year. The Group believes that the growth in revenue reflected the Group's established business strategy to enhance the "Gudou" brand across the PRC.

During the Period, the Group recorded an increase in revenue generated from admission fees and catering by approximately 21.7% for the year ended 31 December 2017 compared to that for 2016. In addition, during the Period, the Group entered into four consultancy agreements with third parties regarding provision of consultancy services in relation to strategic planning in the early stage of project development to various leisure hotels and resorts in Guangdong Province, Sichuan Province and Qinghai Province and such consultancy services contributed revenue of approximately RMB13.5 million to the Group.

The Room Revenue generated from the themed hotel complexes decreased by approximately 15.2% in the Period compared to that for 2016. Notwithstanding that the Total Occupied Room Nights increased by approximately 7.3%, the occupancy rate of its themed hotel complexes decreased from approximately 47.9% for the year ended 31 December 2016 to approximately 39.4% for the year ended 31 December 2017. The Group believes that the decrease in occupancy rate was mainly due to opening of Joyful Hotel in early 2017 which led to an increase in Total Available Room Nights. The average room rate of the Group's hotel complexes also decreased from approximately RMB278.4 for the year ended 31 December 2016 to approximately RMB220.1 for the year ended 31 December 2017, primarily attributable to customers' preference on newly-opened hotels with lower average room rates due to promotion activities of the Group.

Tourism Property Development

The property development industry in Jiangmen City showed signs of recovery during the Period. The Group recorded a 156.2% increase in revenue from the tourism property development business of approximately RMB193.0 million in 2017 as compared to approximately RMB75.4 million in 2016. Such significant increase was mainly attributable to the increase in GFA delivered for tourism properties due to (a) the sale and delivery of Joyful Apartments continued in 2017; and (b) sale and delivery of Mountain Seaview Vacation Residence in the fourth quarter of 2017.

During the Period, the Company (i) sold and delivered 15 units of Mountain Seaview Vacation Apartments; (ii) delivered 57 units of Joyful Apartments among which 47 units were presold in 2016 and 10 units were sold/presold in 2017; (iii) delivered 427 units of Mountain Seaview Vacation Residence among which 134 units were presold in 2016 and 293 units were sold/presold in 2017; and (iv) presold 5 units of Heart of Spring Apartments but not yet delivered as at 31 December 2017. As at 31 December 2017, approximately 100%, 98.6% and 98.5% of the total saleable GFA of Mountain Seaview Vacation Apartments, Joyful Apartments and Mountain Seaview Vacation Residence respectively were sold and delivered. During the Period, the Company received proceeds from sales/

pre-sales and earnest money from Mountain Seaview Vacation Apartments, Joyful Apartments, Mountain Seaview Vacation Residence and Heart of Spring Apartments of approximately RMB15.3 million, RMB19.1 million, RMB106.6 million and RMB1.0 million respectively. The Group is pleased to announce that Heart of Spring Apartments passed all the necessary development inspection and acceptance and was granted pre-sale permit in December 2017. The Company planned to further sell the properties in 2018. Progress of these tourism property development projects was in line with the Company's plans and directions.

Outlook

Looking ahead in 2018, 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 the Group's 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 the Group's customers with a belief in the importance of health regimen to human beings and well-being of body and mind. Further, the Company will leverage its "Gudou" brand and explore opportunities to provide management or consultancy services to other leisure hotels or resorts.

Tourism property development will continue to be the Company's focus in 2018. However, since most of the properties of Mountain Seaview Vacation Residence have been delivered in the fourth quarter of 2017, the Group's revenue and profits (if any) will likely drop significantly in the first quarter of 2018 as compared to the fourth quarter of 2017. The Company expects major pre-sale of Heart of Spring Apartments to continue in the first half of 2018 and properties to be delivered to its customers in the fourth quarter of 2018. According to the 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 Heart of Spring Apartments proceeds in accordance with its development schedule, the Group expects that the delivery of Heart of Spring Apartments in the fourth quarter of 2018 will have a positive effect on the full year results of the Group for 2018.

Besides, the Hong Kong-Zhuhai-Macau Bridge is expected to be commissioned in the second or third quarter of 2018, which will shorten the travel distance and time between Hong Kong and Gudou Hot Spring Resort by land. 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 2017. 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 2017
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	(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) Provide management services to other hot spring resort owners	(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. During the Period, the Group entered into four consultancy agreements with independent third parties regarding provision of consultancy services in relation to strategic planning in the early stage of project development to various hotels and resorts in Guangdong Province, Sichuan Province and Qinghai Province, respectively.

Business Objectives	Actual Business Progress up to 31 December 2017
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 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. In December 2017, the Group has obtained the pre-sale permit for Heart of Spring Apartments which will comprise mainly low-rise apartments and commercial units. The Group presold 5 units of Heart of Spring Apartments but not yet delivered as of 31 December 2017. The Company expects major pre-sale of Heart of Spring Apartments to take place in the first half of 2018 and properties to be delivered to its customers in the fourth quarter of 2018.
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 Period, the Group has also organised a number of promotional events to promote the Group's "Gudou" brand, such as: • Chinese new year celebrations in January to February 2017 • crab festival in April to June 2017 • carnival in May 2017 • water parties in May to July 2017 • mid-autumn festival in October 2017 • carrot festival in December 2017 • Christmas town in December 2017

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 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.

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 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 the Group's hot spring resorts 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.

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 2017, approximately HK$79.3 million from the net proceeds raised from the Placing had been applied towards the repayment of shareholders' loans. Further, the Group has applied (i) approximately HK$44.4 million from the net proceeds raised from the Placing towards the Group's construction and development for three property development projects; (ii) approximately HK$1.6 million towards enhancing Gudou Hot Spring Resort and its existing facilities; and (iii) approximately HK$5.3 million as the Group's working capital since Listing.

Financial Review

Turnover

For the Period, the Group recorded turnover of approximately RMB318.5 million (2016: approximately RMB185.1 million), representing an increase of approximately 72.1% when compared with the previous year. The increase in turnover was primarily attributable to increase in revenue generated from both of the Group's tourism property development and hot spring resort and hotel operations. The turnover from tourism property development increased significantly by approximately 156.2% from approximately RMB75.4 million in the previous year to approximately RMB193.0 million for the Period. Such increase was mainly attributable to increase in GFA delivered and sold of tourism properties under the Joyful Apartments of which the sales and delivery continued in 2017 and Mountain Seaview Vacation Residence which were completed and delivered in the fourth quarter of 2017. The Group's turnover attributable to hot spring resort and hotel operations recorded a growth of approximately 14.4% from approximately RMB109.7 million for the year ended 31 December 2016 to approximately RMB125.5 million for the Period. The increase was primarily attributable to the increase in the number of visitors to the Gudou Hot Spring Valley, the commencement of operation of the Group's fifth themed hotel complex, Joyful Hotel, in early 2017 and the commencements of provision of consultancy services in relation to strategic planning in the early stage of project development on various hotels and resorts to third parties.

Cost of Sales

The Group's cost of sales for the Period was approximately RMB199.0 million, representing an increase of approximately 64.9% from approximately RMB120.7 million in respect of the year ended 31 December 2016. Such increase was primarily due to a significant increase in cost of sales of the Group's tourism property developments, which was mainly as a result of an increase in the GFA sold and delivered during the Period. The cost of sales of the Group's hot spring resort and hotel operations increased slightly by approximately 8.0% for the Period which was attributable to increase in staff costs and depreciation of property, plant and equipment.

Gross Profit and Gross Profit Margin

In line with the Group's increased turnover, the Group's gross profit for the Period was approximately RMB119.5 million, representing an increase by approximately 85.8% when compared with its gross profit of approximately RMB64.3 million for the year ended 31 December 2016. The Group's gross profit margin increased from approximately 34.8% for the year ended 31 December 2016 to approximately 37.5% for the Period, which reflected the increase in gross profit margin for hot spring resort and hotel operations and the larger portion of revenue genetated from tourism property development which had a higher gross profit margin than that of hot spring resorts and hotel operations.

For the Period, the average gross profit margin for hot spring resort and hotel operations was approximately 23.7% (2016: approximately 19.2%). The significant increase is primarily due to the commencement of the provision of consultancy services in relation to strategic planning in the early stage of project development on various hotels and resorts to third parties with higher gross profit margin. The average gross profit margin for tourism property development for the Period was approximately 46.5% (2016: approximately 57.4%). Such decrease is attributable to the lower average selling price of Mountain Seaview Vacation Residence 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 2017 was approximately RMB49.8 million in value, representing an significant increase of approximately 110.7% as compared to the gains of last year.

Selling Expenses

The Group's selling expenses for the Period were approximately RMB22.6 million, representing an decrease of approximately 12.1% over the selling expenses of approximately RMB25.7 million for the previous year. The decrease is primarily attributable to an decrease in sales tax from approximately RMB10.8 million for the previous year to approximately RMB4.1 million for the Period mainly as a result of business tax being substituted by value added tax.

Administrative Expenses

The Group's administrative expenses for the Period were approximately RMB47.1 million, representing a decrease of approximately 16.8% over the administrative expenses of approximately RMB56.5 million for the year ended 31 December 2016. The decrease was primarily attributable to the absence of the Listing expenses incurred, partially offset by the increase in share-based payment and professional fees.

Income Tax Expenses

The Group's income tax expenses for the Period were approximately RMB52.4 million, representing an increase by approximately 319.4% from approximately RMB12.5 million for the year ended 31 December 2016. The Group's income tax expense was attributable to the LAT, deferred tax and an increase in the Group's income tax for the Period.

Net Profit/ Loss and Net Profit/Loss Margin

The Group's net profit for the Period was approximately RMB52.4 million as compared to the net loss of the Group of approximately RMB46.6 million for the year ended 31 December 2016, which was in line with the Group's increased turnover during the Period.

Along with the increase in the Group's net profit for the Period, its net profit margin (which is calculated by dividing its net profits for the relevant period by the turnover for the same period) was approximately 16.5% as compared to the net loss margin of approximately 25.2% for 2016. Such increase was mainly due to (i) an increase in revenue; (ii) an increase in other income primarily comprising the gain on disposal of property, plant and equipment and prepaid land lease payments; (iii) increase in fair value gains on investment properties; and (iv) decrease in finance costs and selling expenses offsetting the increase in income tax expenses.

Liquidity and Financial Resources and Capital Structure

During the Period, the operations of the Group were funded by internally generated cash flows, borrowings and net proceeds from the Placing.

As at 31 December 2017, the Group had bank and cash balances of approximately RMB25.0 million which were denominated in RMB and Hong Kong dollars.

The Group's outstanding capital commitments as at 31 December 2017 amounted to approximately RMB5.1 million (2016: approximately RMB38.3 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 internal funds and/or bank borrowings.

As at 31 December 2017, the Group had an outstanding bank loan of approximately RMB310.9 which were denominated in RMB and Hong Kong dollars and among which RMB61.5 million were fixed rate borrowings. The annual loan repayment amounted to approximately RMB222.2 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 of the Gruop. As at 31 December 2017, there were no shareholders' loans outstanding.

The Group's gearing ratio as at 31 December 2016 and 2017, which was calculated by dividing its total borrowings by its total equity as at those dates, was approximately 1.3 and 0.8 respectively. The decrease in the Group's gearing ratio as at 31 December 2017 was primarily attributable to the repayment of certain bank loans.

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 2017, an amount of approximately RMB416.5 million (2016: approximately RMB466.5 million) was pledged to certain banks 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 2017, 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 2017, the Group had a workforce of 704 full-time employees of whom approximately 98.6% were employed in the PRC and approximately 1.4% in Hong Kong. The Group's staff costs (excluding contributions to pension schemes) for the years ended 31 December 2016 and 2017 amounted to approximately RMB40.4 million and RMB51.5 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. The Group's employees in Hong Kong are required to participate in the Mandatory Provident Fund scheme 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 our 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, our business demands and expansion plans. 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 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 (2016: 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 business activities. During the Period, no material administrative sanctions or penalties were imposed upon us 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

During the Period, 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 our 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, our 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 our Group. In order to maintain good corporate governance and fully comply with such code provision, our Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

2. Code provision A.6.7 of the CG Code stipulates that the independent non-executive Directors should attend general meetings and develop a balanced understanding of the views of Shareholders. Prof. Wang Dawu was unable to attend the annual general meeting of the Company held on 19 May 2017 as he had other business engagement.

Change of Compliance Adviser

As disclosed in the Company's announcement dated 9 March 2017, the compliance adviser agreement with Celestial Capital Limited (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. Well Link International Capital Limited ("**Well Link**"), formerly known as "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.

Interest of Compliance Adviser

Well Link has confirmed to the Company that as at 31 December 2017, except for the compliance adviser agreement entered into between the Company and Well Link dated 9 March 2017, Well Link and its respective directors, employees and close associates did not have any interest in relation to the Company or any members of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

ANNUAL GENERAL MEETING

The AGM of the Company will be held in Hong Kong on Friday, 18 May 2018. 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 2017 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 14 May 2018 to Friday, 18 May 2018 (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, 11 May 2018.

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, 18 May 2018
"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 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

"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 2017
"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
"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, 23 March 2018

As at the date of this announcement, the executive Directors are Mr. Hon Chi Ming, Mr. Huang Zhanxiong, Ms. Zhen Yaman and Mr. Hon Ka Fung, the non-executive Director is 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.