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 2018

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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.

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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 2018 together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	**2018** **RMB'000**	2017 *RMB'000*
Revenue	*5*	**248,729**	318,529
Cost of sales		**(157,441)**	(199,026)
Gross profit		**91,288**	119,503
Other income		**428**	19,845
Fair value gains on investment properties		**53,500**	49,840
Selling expenses		**(26,755)**	(22,592)
Administrative expenses		**(47,947)**	(47,072)
Net impairment loss on financial assets	*9*	**(1,767)**	—
Profit from operations		**68,747**	119,524
Finance costs		**(13,849)**	(14,682)
Profit before tax		**54,898**	104,842
Income tax expenses	*6*	**(39,328)**	(52,420)
Profit for the year		**15,570**	52,422
Other comprehensive (loss)/income for the year, net of tax			
Item that may be reclassified to profit or loss:			
Currency translation differences		**(832)**	758
Item that will not be reclassified to profit or loss:			
Fair value loss on financial assets at fair value through other comprehensive income		**(2,124)**	—
Total comprehensive income for the year		**12,614**	53,180

Earnings per share

		2018 ***RMB cents***	2017 RMB cents
Basic earnings per share	*8*	**1.59**	5.35
Diluted earnings per share	*8*	**1.54**	5.25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**249,356**	235,932
Prepaid land lease payments		**7,020**	7,346
Investment properties		**661,620**	608,120
Financial assets at fair value through other comprehensive income		**1,877**	—
Deferred tax assets		**1,297**	1,216
		921,170	852,614
Current assets			
Properties held for sale		**37,732**	70,276
Inventories		**3,622**	3,405
Accounts receivable	*9*	**60,700**	53,188
Prepaid land lease payments		**326**	326
Prepayments, deposits and other receivables		**44,199**	55,193
Restricted bank deposits		—	13,010
Bank and cash balances		**41,492**	24,970
		188,071	220,368
TOTAL ASSETS		**1,109,241**	1,072,982
Current liabilities			
Accounts payable	*10*	**79,856**	86,401
Proceeds received from pre-sale of properties		—	250
Accruals and other payables		**45,405**	52,842
Borrowings		**58,172**	80,348
Current tax liabilities		**60,044**	46,434
Contract liabilities		**31,948**	—
		275,425	266,275
Non-current liabilities			
Borrowings		**233,339**	230,512
Deferred tax liabilities		**169,541**	159,738
Deferred income		**8,500**	9,000
		411,380	399,250
TOTAL LIABILITIES		**686,805**	665,525
Capital and reserves			
Share capital	*11*	**8,669**	8,669
Reserves		**413,767**	398,788
TOTAL EQUITY		**422,436**	407,457
TOTAL LIABILITIES AND EQUITY		**1,109,241**	1,072,982

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 and hotel operations and tourism property development.

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

2. Basis of preparation

2.1 Compliance with HKFRS and HKCO

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

2.2 Historical cost convention

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

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

3. Going concern

As at 31 December 2018, the Group's current liabilities exceeded its current assets by RMB87,354,000 (2017: RMB45,907,000) which is mainly attributable to current bank borrowings of RMB291,511,000 (2017: RMB310,860,000). The Group's current liabilities also consisted of contract liabilities of RMB31,948,000 (2017: RMB13,176,000) arising from deposits received from customers which will be recognised as revenue upon fulfilment of the obligation in delivering the properties and/or delivering services to the customer.

In preparing the Group's consolidated financial statements for the year ended 31 December 2018, the Directors have taken into account all information that could reasonably be expected to be available. In particular, the management of the Company have prepared a cash flow projection of the Group covering a period of not less than twelve months from 31 December 2018 taking into account the following plans and measures into consideration:

3. Going concern *(Continued)*

(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 of properties in the expected timeframe; and

(iii) The Group had available committed facilities of RMB63,500,000 as at 31 December 2018 and obtained an additional committed bank facility of RMB100,000,000 subsequent to the year end. The Directors 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 borrowings as and when needed.

Notwithstanding the above, whether management is able to achieve its plans and measures as described above, which incorporate assumptions about future events and conditions are subject to inherent uncertainties. In particular, whether the Group will be able to continue as a going concern would depend upon the timely generation of net cash flow from its hotel and resort operation, the successful and timely sales of the properties held for sale and successfully and timely negotiating of existing banking facilities upon expiry. The Directors have, after due consideration of the basis of management's plans and measures as well as the reasonable possible downside changes to the cash flow assumptions, are confident that 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 2018. 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

4.1 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 2018:

Standards	**Subject of amendment**
Amendments to HKFRS 1 and HKAS 28	Annual Improvements 2014-2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Apart from the impact of the adoption of HKFRS 9, "Financial Instruments" and HKFRS 15, "Revenue from Contracts with Customers", the adoption of other new and amended standards does not have any significant impact to the results and financial position of the Group.

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

4.2 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Annual Improvements Project	Annual improvements 2015-2017 Cycle	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Note

Note: To be announced by the Hong Kong Institute of Certified Public Accountants ("HKICPA")

4.3 Impact of adoption of HKFRS 9 and HKFRS 15

The following explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's consolidated financial statements.

The Group elected to adopt the modified retrospective approach on the adoption of HKFRS 9 and HKFRS 15 without restating comparatives. The reclassifications and the adjustments are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the opening consolidated statement of financial position on 1 January 2018.

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

4.3 Impact of adoption of HKFRS 9 and HKFRS 15 *(Continued)*

The following tables show the adjustments recognised in the consolidated statement of financial position on 1 January 2018:

Consolidated statement of financial position (extract)	31 December 2017 As originally presented *RMB'000*	Effect of adoption of HKFRS 9 *RMB'000*	Effect of adoption of HKFRS 15 *RMB'000*	1 January 2018 Restated *RMB'000*
Current assets				
Accounts receivable	53,188	(1,980)	—	51,208
Current liabilities				
Proceeds received from pre-sale of properties	250	—	(250)	—
Accruals and other payables	52,842	—	(12,926)	39,916
Contract liabilities	—	—	13,176	13,176
Equity				
Retained profits	229,183	(1,980)	—	227,203

(a) HKFRS 9 Financial Instruments

The Group has adopted HKFRS 9 which replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets.

The total impact on the Group's retained profits is stated as above.

	Note	Retained profits *RMB'000*
Closing balance at 31 December 2017 — HKAS 39		229,183
Increase in provision for impairment of accounts receivable	*i*	(1,980)
Opening balance at 1 January 2018 — HKFRS 9		227,203

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

4.3 Impact of adoption of HKFRS 9 and HKFRS 15 *(Continued)*

(a) HKFRS 9 Financial Instruments (Continued)

i) Impairment of financial instruments

The Group has two types of financial assets that are subject to new expected credit loss model of HKFRS 9:

- Accounts receivable, and
- Other receivables

The Group revised its impairment methodology under HKFRS 9 for each of these classes of assets.

While other receivables, bank and cash balances and restricted bank deposits are also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial.

Accounts receivable

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivable.

(b) HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces HKAS 18 which resulted in changes accounting policies that relate to timing of revenue recognition and presentation of contract liabilities.

The impact of reclassification on the consolidated statement of financial position as at 1 January 2018 is as follows:

	Proceeds received from pre-sale of properties *RMB'000*	Accruals and other payables *RMB'000*	Contract liabilities *RMB'000*
Closing balance at 31 December 2017 – HKAS 18	250	52,842	—
Reclassification (i)	(250)	(12,926)	13,176
Opening balance at 1 January 2018 – HKFRS 15	—	39,916	13,176

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

4.3 Impact of adoption of HKFRS 9 and HKFRS 15 *(Continued)*

(b) HKFRS 15 Revenue from Contracts with Customers (Continued)

i) Presentation of contract liabilities related to contracts with customers

Contract liabilities were previously presented as proceeds received from pre-sale of properties and receipts in advance from customers in relation to hotel operation and consultancy services with a total sales contract amount of RMB25,581,000.

ii) Revenue recognition

a) Hotel and resort operations

Revenue is recognised when the service is rendered to customers which is consistent under HKAS 18 and HKFRS 15.

b) Properties development

Revenue is recognised as at a point of time after the control of properties transferred to the customers as the Group has no enforceable right to payment for performance completed to date.

c) Accounting for financing component

The Group applies the practical expedient and considers the financing component in between the payment received from customer and transfer of the promised properties or service is not significant as the period is generally within one year.

d) Accounting for costs to obtain a contract

The Group considers the costs such as stamp duties and sales commission incurred directly attributable for obtaining sales contracts is not significant.

5. Revenue

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Property sales	**105,997**	193,047
Room revenue	**53,605**	49,961
Admission income	**34,518**	25,891
Catering income	**27,559**	25,985
Rental income	**1,279**	1,219
Massage service income	**2,173**	2,647
Conference fee income	**2,937**	2,769
Consultancy service income	**17,150**	13,542
Other service income	**3,511**	3,468
	248,729	318,529

6. Income tax expenses

For the year ended 31 December 2018, no provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong (2017: Nil). The Group's subsidiaries in the PRC are subject to the PRC enterprise income tax at a rate of 25% (2017: 25%) on estimated assessable profits.

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current tax		
PRC enterprise income tax	**12,444**	14,471
Land appreciation tax ("LAT")	**17,162**	21,389
	29,606	35,860
Deferred tax	**9,722**	16,560
	39,328	52,420

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. 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 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

8. Earnings per share

Basic

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

	Year ended 31 December	
	2018	2017
Profit attributable to owners of the Company *(RMB'000)*	**15,570**	52,422
Weighted average number of ordinary shares in issue *('000)*	**980,000**	980,000
Basic earnings per share *(RMB cents)*	**1.59**	5.35

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	
	2018	2017
Profit attributable to owners of the Company *(RMB'000)*	**15,570**	52,422
Weighted average number of ordinary shares in issue *('000)*	**980,000**	980,000
Adjustments for:		
Share options (number of shares) *('000)*	**31,194**	17,913
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**1,011,194**	997,913
Diluted earnings per share *(RMB cents)*	**1.54**	5.25

For the year ended 31 December 2018, the conversion of potential ordinary shares in relation to the share options have a dilutive effect to the basic earnings per share.

9. Accounts receivable

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Accounts receivable	**64,447**	53,188
Less: allowance for impairment	**(3,747)**	—
Accounts receivable-net	**60,700**	53,188

The Group allows an average credit period ranging from 30 to 90 days (2017: 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 primarily from 15 days to 180 days (2017: 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 gross 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					
	2018			2017		
	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	**5,140**	**49,932**	**55,072**	4,935	33,643	38,578
31 to 60 days	**840**	**—**	**840**	1,120	—	1,120
61 to 90 days	**130**	**—**	**130**	379	—	379
Over 90 days	**1,016**	**7,389**	**8,405**	1,135	11,976	13,111
	7,126	**57,321**	**64,447**	7,569	45,619	53,188

9. Accounts receivable *(Continued)*

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
At the beginning of the year	**—**	—
Amounts additionally provided through opening retained profits on adoption of HKFRS 9	**(1,980)**	—
Net impairment losses on financial assets	**(1,767)**	—
At the end of the year	**(3,747)**	—

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

All accounts receivable are denominated in RMB.

As of 31 December 2018, accounts receivable of RMB6,475,000 (2017: RMB5,420,000) were pledged to secure a bank loan.

10. Accounts payable

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Up to 90 days	**24,734**	65,390
91 to 180 days	**6,305**	4,311
181 to 365 days	**5,980**	4,305
Over 1 year	**42,837**	12,395
	79,856	86,401

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 2017 and 2018	980,000	8,669
As at 31 December 2017 and 2018	980,000	8,669

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 2018 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 RMB248.7 million, representing a decrease of approximately 21.9% when compared to that of the previous year. Profit attributable to owners of the Company for the Period was approximately RMB15.6 million (profit attributable to owners of the Company for the corresponding period in 2017: RMB52.4 million), representing a decrease of approximately of 70.3% when compared to that of the previous year mainly due to the following factors:

(i) a decrease in revenue generated from the tourism properties development, mainly attributable to sale and delivery of most units of Mountain Seaview Vacation Residence in 2017, while only 62.8% of the total saleable GFA of Heart of Spring Apartments were sold and delivered in 2018; and

(ii) a decrease in other income in relation to a gain on disposal of property, plant and equipment and prepaid land lease payments amounting to approximately RMB18.5 million in 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 a steady growth in the Period. The Group's turnover derived from hot spring resort and hotel operations increased by approximately 13.7% to approximately RMB142.7 million when compared to the previous year. The Group believes that the growth in revenue from the hot spring and hotel operations business reflected the Group's established business strategy to enhance the "Gudou" brand across the PRC.

During the Period, the Group recorded an increase in admission income by approximately 33.3% which was mainly attributable to an increase in admission ticket prices in the Gudou Hot Spring Resort.

The Room Revenue generated from the themed hotel complexes increased by approximately 7.3% in the Period compared to that for 2017, although the Occupancy Rate of the themed hotel complexes decreased by approximately 4.7% from approximately 39.4% in 2017 to approximately 34.7% in 2018. The increase in Room Revenue was mainly due to an increase in average room rate, partially offset by a decrease in the Occupancy Rate. Both the increase in average room rate and the decrease in the Occupancy Rate were mainly a result of our strategic reduction in price promotions of our hotel rooms. The average room rate increased from approximately RMB220.1 for the year ended 31 December 2017 to approximately RMB269.0 for the year ended 31 December 2018.

The Group also recorded increases in revenue generated from catering by approximately 6.1% and conference room services by 6.1%.

Furthermore, during the Period, on top of the existing consultancy service agreements, the Group entered into various new consultancy service 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 and Sichuan Province in 2018. Revenue from consultancy services contributed revenue of approximately RMB17.2 million to the Group in the Period, representing an increase of approximately 26.6%.

Tourism Property Development

The Group recorded a decrease in revenue of approximately 45.1% from the tourism property development business of approximately RMB106.0 million in 2018 as compared to approximately RMB193.0 million in 2017. Such decrease was mainly attributable to a decrease in GFA sold and delivered during the year.

In December 2017, Heart of Spring Apartments passed all the necessary development inspection and acceptance, and was granted pre-sale permit. The Group commenced pre-sale of Heart of Spring Apartments since December 2017. As at 31 December 2018, the Company sold and delivered 187 residential units and 44 commercial units and 88 car parks of Heart of Spring Apartments, representing 62.8% of the total saleable GFA of Heart of Spring Apartments. During the Period, the Company received proceeds from sales/presales and earnest money from Heart of Spring Apartments of approximately RMB70.6 million. The Company planned to sell and deliver further units of Heart of Spring Apartments in 2019.

Outlook

Looking ahead in 2019, 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 2019. The Company expects the sale of Heart of Spring Apartments to continue in 2019 and will continue to explore and develop new tourism property development projects both within and outside Gudou Hot Spring Resort.

Besides, following the opening of the Hong Kong-Zhuhai-Macau Bridge in October 2018, which shortens 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 2018. 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 2018
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 consultancy agreements with various independent third parties regarding provision of consultancy services in relation to strategic planning in the early stage of project development to leisure hotels and resorts in Guangdong Province and Sichuan Province.

Business Objectives	Actual Business Progress up to 31 December 2018
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. During the Period, the Company sold/presold and delivered 187 residential units and 44 commercial units and 88 car parks of Heart of Spring Apartments and expects the sale to continue in 2019.
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 2018 • crab festival in April to June 2018 • carnival in May 2018 • water parties in May to July 2018 • mid-autumn festival in October 2018 • carrot festival in December 2018 • Christmas town in December 2018

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 settles with its major customers in accordance with contract payment terms, combines judgement on recoverable amounts, and adopts provision for bad debts of receivables that are specifically classified by similar risk. The Group monitors and accesses the information of major customers on an on-going and timely basis, and boosts communication and relationship with major customers.

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

Principal risks and uncertainties

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

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

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

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

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

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

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

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

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

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 2018, 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 RMB248.7 million (2017: approximately RMB318.5 million), representing a decrease of approximately 21.9% when compared with the previous year. The decrease in turnover was primarily attributable to a decrease in revenue generated from the Group's tourism property development. The turnover from the Group's hot spring resort and hotel operations increased by approximately 13.7% from approximately RMB125.5 million in the previous year to approximately RMB142.7 million for the Period. Such increase was mainly driven by an increase in room revenue, admission income and catering income mainly due to an increase in admission ticket prices and less price discount offered to our hotel customers. The Group's turnover attributable to tourism property development recorded a decline of approximately 45.1% from approximately RMB193.0 million for the year ended 31 December 2017 to approximately RMB106.0 million for the Period. The decrease was primarily attributable to a decrease in GFA sold and delivered during the Period.

Cost of Sales

The Group's cost of sales for the Period was approximately RMB157.4 million, representing a decrease of approximately 20.9% from approximately RMB199.0 million in respect of the year ended 31 December 2017. Such decrease was primarily due to a decrease in cost of sales of the Group's tourism property development, which was mainly resulted from a decrease 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 2% for the Period along with an increase in turnover from hot spring resort and hotel operations.

Gross Profit and Gross Profit Margin

In line with the Group's decreased turnover, the Group's gross profit for the Period was approximately RMB91.3 million, representing a decrease by approximately 23.6% when compared with its gross profit of approximately RMB119.5 million for the year ended 31 December 2017. The Group's gross profit margin decreased from approximately 37.5% for the year ended 31 December 2017 to approximately 36.7% for the Period, which reflected the larger portion of revenue generated from hot spring resort 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 31.6% (2017: approximately 23.7%). The increase is primarily due to an increase in revenue of our hot spring resort and hotel operations while most of the relevant costs are partially fixed in nature. The average gross profit margin for tourism property development for the Period was approximately 43.5% (2017: approximately 46.5%). Such decrease is attributable to the higher cost of sales of Heart of Spring Apartments which were sold and delivered for the Period due to a higher in land cost when compared to Mountain Seaview Vacation Residence of which most units were sold and delivered in 2017.

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 2018 was approximately RMB53.5 million in value, representing a increase of approximately 7.3% as compared to the gains of RMB49.8 million of last year.

Selling Expenses

The Group's selling expenses for the Period were approximately RMB26.8 million, representing an increase of approximately 18.4% over the selling expenses of approximately RMB22.6 million for the previous year. The increase is primarily attributable to an increase in promotional expenses incurred by the Group in connection with the sale of the Heart of Spring Apartments and the hot spring resort and hotel operations.

Administrative Expenses

The Group's administrative expenses for the Period were approximately RMB47.9 million, representing a slight increase of approximately 1.9% over the administrative expenses of approximately RMB47.1 million for the year ended 31 December 2017.

Income Tax Expenses

The Group's income tax expenses for the Period were approximately RMB39.3 million, representing a decrease by approximately 25.0% from approximately RMB52.4 million for the year ended 31 December 2017, which is mainly due to a decrease in the taxable profits for the year which was in line with the decrease in turnover.

Net Profit and Net Profit Margin

The Group's net profit for the Period was approximately RMB15.6 million, representing a decrease of 70.3% when compared to the net profit of the Group of approximately RMB52.4 million for the year ended 31 December 2017. Such decrease in net profit was primarily attributable to a decrease in revenue recognised for the Group's tourism property development business as a result of less than expected gross floor area delivered and sold in the Peirod and a decrease in other income in relation to a one-off gain on disposal of property, plant and equipment and prepaid land lease payments in 2017.

Along with the decrease 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) has also decreased from approximately 16.5% for 2017 to approximately 6.3% for the Period. Such decrease was mainly due to (i) a decrease in gross profit margin; (ii) a decrease in other income; and (iii) an increase in selling expenses, partially offset by an increase in fair value gain.

Liquidity and Financial Resources and Capital Structure

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

As at 31 December 2018, the Group had bank and cash balances of approximately RMB41.5 million which were denominated in RMB and HK dollars.

The Group's outstanding capital commitments as at 31 December 2018 amounted to approximately RMB30.0 million (2017: approximately RMB5.1 million). Such commitments primarily related to construction in progress of the Group. Such outstanding commitments are expected to be funded by internal funds and/or bank borrowings.

As at 31 December 2018, the Group had an outstanding bank loan of RMB291.5 million which were denominated in RMB and among which RMB71.0 million were fixed rate borrowings. The annual loan repayment amounted to RMB93.0 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 Group. As at 31 December 2018, there were no shareholders' loans outstanding.

The Group's gearing ratio as at 31 December 2017 and 2018, which was calculated by dividing its total borrowings by its total equity as at those dates, was approximately 0.8 and 0.7 respectively. The decrease in the Group's gearing ratio as at 31 December 2018 was primarily attributable to the repayment of certain bank loans and an increase in total equity as a result of recording net profit in 2018.

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 2018, an amount of approximately RMB462.5 million (2017: approximately RMB416.5 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 2018, 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 HK 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 2018, the Group had a workforce of 666 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 for the years ended 31 December 2017 and 2018 amounted to approximately RMB55.8 million and RMB54.0 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 RMB240,000 (2017: 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 material 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

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 to gain 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 18 May 2018 due to health reason.

Change of Compliance Adviser

As disclosed in the Company's announcement dated 31 May 2018, the compliance adviser agreement with Well Link International Capital Limited has been terminated with effect from 31 May 2018 due to its internal resources allocation arrangement. Zhongtai International Capital Limited ("**Zhongtai International**") 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 31 May 2018.

Interest of Compliance Adviser

Zhongtai International has confirmed to the Company that as at 31 December 2018, except for the compliance adviser agreement entered into between the Company and Zhongtai International dated 31 May 2018, Zhongtai International 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 Thursday, 16 May 2019. Notice of the AGM will be issued and disseminated to Shareholders in due course.

EVENTS AFTER THE REPORTING PERIOD

On 20 January 2019, Harvest Talent Investments Limited ("**Harvest Talent**") and Dynasty Fortune Tourism Property Investments Limited ("**Dynasty Fortune**") which are controlled by Mr. Hon Chi Ming, the chairman and executive Director of the Company and Mr. Hui Chin Tong, Godfrey, a non-executive Director of the Company, entered into sale and purchase agreements with a purchaser (the "**Purchaser**") and guarantor to the Purchaser, who are both independent third parties, pursuant to which Harvest Talent and Dynasty Fortune have respectively conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase,an aggregate of 286,000,000 Shares (the "**Disposals**"). After completion of the Disposals, which is expected to take place on or before 31 March 2019 if proceeded with, Harvest Talent will continue to hold 336,500,000 Shares, representing 34.34% of the total issued Shares, and Dynasty Fortune will cease to hold any Shares. For further details of the Disposals, please refer to the Company's announcement dated 20 January 2019.

Save as disclosed above, there is no material event undertaken by the Company or by the Group subsequent to 31 December 2018 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 Thursday, 9 May 2019 to Thursday, 16 May 2019 (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., Wednesday, 8 May 2019.

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 Thursday, 16 May 2019
"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
"Gudou Hot Spring Resort"	Gudou Hot Spring Resort（古兜溫泉綜合度假村）, the hot spring resort located at Jiangmen City, Guangdong Province, the PRC and operated by the Group

"Heart of Spring Apartments"	Heart of Spring Apartments (泉心養生公寓), a completed tourism property project in the Gudou Hot Spring Resort
"HK$" or "HK dollar(s)"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing"	the listing of the Shares on GEM of the Hong Kong Stock Exchange on 9 December 2016
"Mountain Seaview Vacation Residence"	Mountain Seaview Vacation Residence (山海度假公館), a completed tourism property project in the Gudou Hot Spring Resort
"Occupancy Rate"	Total Occupied Room Nights of a hotel during a period divided by the Total Available Room Nights
"Period"	the year ended 31 December 2018
"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
"Room Revenue"	revenue generated from room rates (including related service charges) of the themed hotel complexes in the Gudou Hot Spring Resort
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company

"Shareholder(s)"	holder(s) of the Shares
"Total Available Room Nights"	all rooms nights available for sale excluding those under renovation or repair and those not for letting
"Total Occupied Room Nights"	all rooms nights sold and including nights provided to guests and property owners on a complimentary basis
"%"	per cent

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

Hong Kong, 26 March 2019

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.