



古兜控股有限公司

Gudou Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8308



2016
Annual Report



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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Hong Kong Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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This report, 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 report 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 report misleading.

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DEFINITIONS

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

“Articles”	the articles of association of the Company
“Baden Town Villas”	Baden Town Villas (巴登小鎮別墅), a completed tourism property project at our Gudou Hot Spring Resort
“Board”	the board of Directors
“CG Code”	Corporate Governance Code as set out in Appendix 15 to 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
“DF Tourism”	Dynasty Fortune Tourism Property Investments Limited (朝富旅遊產業投資有限公司), a company incorporated in the British Virgin Islands and is wholly-owned by Dynasty Fortune
“Director(s)”	the director(s) of the Company
“Dynasty Fortune”	Dynasty Fortune Capital Limited (朝富資本有限公司), a company incorporated in Hong Kong, which is beneficially and wholly-owned by Mr. Hui Chin Tong Godfrey, a non-executive Director
“F&B”	food and beverages
“Fu An”	Fu An International Investments Limited (富安國際投資有限公司), a company incorporated in Hong Kong, which is beneficially owned as to 74.21% by Mr. Li Chao Wang, 15.79% by Ms. Yu Yi Fang and 10.00% by Mr. Dong Yi Ping, all of whom are independent third parties
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented and/or otherwise modified from time to time as the context may require
“GFA”	gross floor area
“Grand Luck”	Grand Luck Ventures Limited (泰瑞創投有限公司), a company incorporated in the British Virgin Islands, which is beneficially and wholly-owned by Mr. Li Chao Wang, an independent third party
“Group”, “our Group”, “we”, “us” or “our”	the Company and its subsidiaries

DEFINITIONS

“Guangdong Gudou”	Guangdong Gudou Travel Group Company Limited* (廣東古兜旅遊集團有限公司), a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of View Top
“Gudou Hot Spring Resort”	Gudou Hot Spring Resort (古兜溫泉綜合度假村), the hot spring resort located at Jiangmen City, Guangdong Province, the PRC and operated by the Group
“Gudou Hot Spring Valley”	Gudou Hot Spring Valley (古兜溫泉谷), being the hot spring facilities comprising 62 public hot spring pools located at Gudou Hot Spring Resort
“Harvest Talent”	Harvest Talent Investments Limited, a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. Hon and is one of the controlling shareholders of the Company
“Heart of Spring Apartments”	Heart of Spring Apartments (泉心養生公寓), a tourism property project under development by our Group in our Gudou Hot Spring Resort
“HK\$” or “HK dollar(s)”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants
“Holiday Lakeview Hotel”	Holiday Lakeview Hotel (假日湖景酒店), one of the themed hotel complexes in our Gudou Hot Spring Resort
“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
“Hot Spring Villa Hotel”	Hot Spring Villa Hotel (溫泉別墅酒店), one of the themed hotel complexes in our Gudou Hot Spring Resort
“Jiangmen Gudou Management”	Jiangmen City Gudou Travel and Hotel Management Company Limited* (江門市古兜旅遊酒店管理有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of Guangdong Gudou
“Joyful Hotel”	Joyful Hotel (樂活城酒店), a new themed hotel complex which commenced operation in 2017
“Joyful Apartments”	Joyful Apartments (樂活城公寓), a completed tourism property project in our Gudou Hot Spring Resort
“LAT”	Land Appreciation Tax
“Listing”	the listing of the Shares on GEM on 9 December 2016

DEFINITIONS

“Model Code”	a code of conduct adopted by the Company regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules effective from the date of Listing
“Mountain Seaview Hotel”	Mountain Seaview Hotel (山海酒店), one of the themed hotel complexes in our Gudou Hot Spring Resort
“Mountain Seaview Vacation Apartments”	Mountain Seaview Vacation Apartments (山海度假公寓), a completed tourism property project in our Gudou Hot Spring Resort
“Mountain Seaview Vacation Residence”	Mountain Seaview Vacation Residence (山海度假公館), a tourism property project under development by our Group in our Gudou Hot Spring Resort
“Mr. Hon”	Mr. Hon Chi Ming, founder of the Group, chairman of the Board, chief executive officer, an executive Director and a controlling shareholder of the Company
“Mrs. Hon”	Ms. Li Wai Ling, the spouse of Mr. Hon and the mother of Mr. Hon Ka Fung, a non-executive Director
“occupancy rate”	Total Occupied Room Nights of a hotel during a period divided by the Total Available Room Nights
“Occupied Room Night(s)”	rooms nights sold and including nights provided to guests and property owners on a complimentary basis
“Period”	the year ended 31 December 2016
“Placing”	the placing of the Shares by the Company in connection with the Listing, particulars of which are set out in the Prospectus
“PRC” or “China” or “Mainland China”	the People’s Republic of China, save that, for the purpose of this report and unless the context otherwise requires, references in this report do not include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 30 November 2016 issued in connection with the Listing
“Revenue per Available Room” or “RevPAR”	Room Revenue of a hotel (including related service charges) during a period divided by the Total Available Room Nights of such hotel during the same period
“RMB”	Renminbi, the lawful currency of the PRC
“Room Revenue”	revenue generated from room rates (including related service charges) of our themed hotel complexes in our Gudou Hot Spring Resort

DEFINITIONS

“Royal Spa Hotel”	Royal Spa Hotel (皇家 Spa 酒店), one of the themed hotel complexes in our Gudou Hot Spring Resort
“Scheme”	the share option scheme of the Company adopted by the Shareholders on 18 November 2016
“sq. m.”	square meters
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“South Asian Villas”	South Asian Villas (南亞風情別墅), a completed tourism property project in our Gudou Hot Spring Resort
“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
“View Top”	View Top Holding Limited (景騰集團有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Wealth Promise”	Wealth Promise Holdings Limited (富諾控股有限公司), a company incorporated in the British Virgin Islands and is wholly-owned by Fu An
“Weisheng Investment”	Jiangmen City Weisheng Investment Company Limited* (江門偉盛投資有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of Guangdong Gudou
“Yueguangqu Entertainment”	Jiangmen City Xinhui Yueguangqu Entertainment Company Limited* (江門市新會區月光曲娛樂有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of Guangdong Gudou
“%”	per cent

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

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

CORPORATE PROFILE

We are a hot spring resort and hotel operator and a tourism property developer in Guangdong Province, the PRC with a renowned brand “Gudou”. We operate and manage the hot spring resort and hotel facilities of Gudou Hot Spring Resort and develop and sell tourism properties located at our Gudou Hot Spring Resort. The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 10 January 2014 and its Shares were listed on GEM on 9 December 2016.

Our Gudou Hot Spring Resort is located at Xinhui District, Jiangmen City, Guangdong Province, the PRC. It is an integrated resort complex featuring a mixture of hot spring facilities, hotels, F&B outlets, recreational waterpark and ancillary leisure and recreational attractions. Stretching across a total site area of approximately 650,000 sq.m., Gudou Hot Spring Resort offers 62 public hot spring pools with four themed hotel complexes, namely Royal Spa Hotel, Hot Spring Villa Hotel, Holiday Lakeview Hotel and Mountain Seaview Hotel as at 31 December 2016. Joyful Hotel, our fifth themed hotel complex, also commenced operation in 2017.

Along with hot spring resort and hotel operations, we also develop and sell tourism properties including villas, apartments, studio flats and commercial units within Gudou Hot Spring Resort. As at the date of this report, we have completed four tourism property projects with a total saleable GFA of approximately 96,000 sq.m., namely South Asian Villas, Baden Town Villas, Mountain Seaview Vacation Apartments and Joyful Apartments.

Gudou Hot Spring Resort was awarded as a National Tourist Attraction — Grade AAAA by the National Tourist Attraction Quality Rating Committee in 2005.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Hon Chi Ming
(Chairman and Chief Executive Officer)
Mr. Huang Zhanxiong
Ms. Zhen Yaman

Non-Executive Directors

Mr. Hon Ka Fung
Mr. Hui Chin Tong Godfrey

Independent Non-Executive Directors

Mr. Wu Sai Him
Mr. Chiu Chi Wing
Prof. Wang Dawu

COMPANY SECRETARY

Ms. Chan Sin Ling *CPA*

COMPLIANCE OFFICER

Ms. Zhen Yaman, *qualified attorney in the PRC*

AUTHORISED REPRESENTATIVES

Mr. Hon Chi Ming
Ms. Chan Sin Ling

AUDIT COMMITTEE

Mr. Chiu Chi Wing *(Chairman)*
Mr. Wu Sai Him
Prof. Wang Dawu

REMUNERATION COMMITTEE

Mr. Wu Sai Him *(Chairman)*
Mr. Chiu Chi Wing
Prof. Wang Dawu

NOMINATION COMMITTEE

Mr. Wu Sai Him *(Chairman)*
Mr. Chiu Chi Wing
Prof. Wang Dawu

COMPLIANCE COMMITTEE

Ms. Zhen Yaman *(Chairlady)*
Mr. Huang Zhanxiong
Ms. Chan Sin Ling
Mr. Li Yanan

COMPLIANCE ADVISER

Zhaobangji International Capital Limited
Unit 1&17, 19/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

AUDITORS

PricewaterhouseCoopers
22nd Floor
Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co. Ltd.
Industrial and Commercial Bank of China Limited
Xinhui Rural Commercial Bank Limited

REGISTERED OFFICE

Clifton House, 75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Gudou Hot Spring Resort
Yamen Town
Xinhui District
Jiangmen City
Guangdong Province
The PRC

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1103A, 11th Floor
COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central
33 Wing Lok Street
Hong Kong

HONG KONG LEGAL ADVISERS

Reed Smith Richards Butler
20th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

PRC LEGAL ADVISERS

GFE Law Office
Units 3409-3412, 34th Floor
Guangzhou CTF Finance Center
Zhujiang New Town
Guangzhou
The PRC

SHARE REGISTRAR AND TRANSFER OFFICES

Principal share registrar and transfer office

Estera Trust (Cayman) Limited
Clifton House, 75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Hong Kong branch share registrar

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

INVESTOR RELATIONS

iPR Ogilvy & Mather
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STOCK CODE

8308

WEBSITE OF THE COMPANY

www.gudouholdings.com

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the audited consolidated financial results of the Group for the year ended 31 December 2016.

LISTING

On 9 December 2016, the Company was successfully listed on GEM. The Listing was encouraging and marks a significant milestone in the development of our Group. We operate in an industry with significant and sustainable growth potential. With our listing status and expertise in hot spring resort operation and tourism property development in the PRC as well as our well-known brand "Gudou", I believe that our Group is well-positioned to capitalise the significant and sustainable growth potential of the PRC tourism industry.

BUSINESS OVERVIEW

Hot Spring Resort and Hotel Operations

Our Mountain Seaview Hotel commenced operation in February 2016, attracting more visitors to our Gudou Hot Spring Resort. During the Period, we achieved growth in our hot spring resort and hotel operations. Our Room Revenue increased by approximately 14.0% from approximately RMB51.7 million for the year 2015 to approximately RMB58.9 million for the Period. We also recorded corresponding increase of approximately 12.5% in catering income from approximately RMB21.0 million for the year 2015 to approximately RMB23.7 million for the Period.

Tourism Property Development

We completed the construction of our fourth tourism property development project, Joyful Apartments in 2016 and it passed all necessary development inspection and acceptance in November 2016. Although we recorded a decrease of approximately 27.4% in revenue from our tourism property development business for the Period of approximately RMB75.4 million as compared to the previous year of RMB103.9 million, we achieved satisfactory results in terms of units sold. During the Period, 61 units of our Mountain Seaview Vacation Apartments were sold and delivered, 172 units of our Joyful Apartments were sold/pre-sold among which 125 units were delivered and 47 units were not yet delivered as of 31 December 2016, and 134 units of our Mountain Seaview Vacation Residence were pre-sold.

PROSPECTS

Upholding our core values and our belief in health regimen, we will continue to operate and grow our business and enhance our "Gudou" brand in 2017. We will enhance our ambiance and existing facilities of Gudou Hot Spring Resort and also consider providing management services to other hot spring resort operators, as and when potential opportunities arise.

In spite of the ongoing challenges in our business, we maintain a positive view towards the future of our Group. Management will review and strive to enhance overall operational efficiency, adjust the Group's property development portfolio and strategies to match our strengths with market demand, and capture the right growth opportunities while guarding the Group against economic headwinds.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude for the hard work of our staff, and the continuous and valuable support of the Group from all our shareholders and stakeholders.

Hon Chi Ming

Chairman

Hong Kong, 21 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Fair Value Gains on Investment Properties

The Group's investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. The Group's investment properties were under medium-term leases in the PRC and were classified into two categories, land held for undetermined use and land held for development of investment properties. Fair value gains on investment properties of the Group at the end of 2016 appreciated RMB23.7 million in value, representing an increase of approximately 10.9% as compared to the gains of last year.

Selling Expenses

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

Administrative Expenses

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

Income Tax Expenses

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

Net Loss and Net Loss Margin

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

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

Liquidity and Financial Resources and Capital Structure

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

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2016, the Group had bank and cash balances of approximately RMB66.9 million which were denominated in RMB and Hong Kong dollars.

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

As at 31 December 2016, the Group had an outstanding bank loans of RMB465.0 million which were denominated in RMB and Hong Kong dollars and among which RMB72.0 million were fixed rate borrowings. The annual loan repayment amounted to RMB230.9 million, which is in line with the Group's repayment schedule. Please refer to note 30 to the financial statements for the maturity profile of the borrowings. The proceeds from the borrowings were primarily used for capital expenditure, working capital and operating expenses. The shareholders' loans were fully repaid as at 31 December 2016.

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

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

Significant Investments/Material Acquisitions and Disposals

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

Contingent Liabilities

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

Exposure to Fluctuations in Exchange Rates

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

MANAGEMENT DISCUSSION AND ANALYSIS

Human Resources

As at 31 December 2016, the Group had a workforce of 649 full-time employees including the Directors of whom approximately 98.5% were employed in the PRC and approximately 1.5% in Hong Kong. The Group's staff costs (excluding contributions to pension schemes) for the years ended 31 December 2015 and 2016 amounted to approximately RMB43.3 million and RMB45.6 million, respectively. The Group hires part-time employees from time to time to cope with additional staffing requirements for its hot spring resort and hotel operations during peak seasons. The Group's employees in Hong Kong are required to participate in the Mandatory Provident Fund scheme under which the Group's required to contribute a fixed percentage of the employees' payroll costs (up to a maximum of HK\$1,500 per month) to the scheme. For the employees of the Group's PRC subsidiaries, the Group makes contributions to various government sponsored employee benefit funds, including housing provident fund, basic pension insurance fund, basic medical insurance, unemployment insurance, maternity insurance and work related injury insurance funds in accordance with applicable PRC laws and regulations.

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

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

Environmental Matters

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

The Company outsources its construction work to construction contractors, who are independent third parties. Pursuant to the respective agreements entered into between the construction contractors and the Group, the construction contractors and any subcontractors, are required to comply with the environmental impact assessment requirement and the applicable environmental laws and regulations. During the Period, the Group paid approximately RMB38,000 (2015: RMB38,000) as the annual fee for compliance with the applicable environmental laws and regulations.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. HON Chi Ming

Mr. HON Chi Ming (韓志明) (formerly known as 韓明 and HAN Ming), aged 55, is the founder, chairman, chief executive officer and executive Director of the Group. He is also the president of Guangdong Gudou, and the director of all of the Group's subsidiaries, except Weisheng Investment and Yueguangqu Entertainment. He is primarily responsible for the overall management, strategic planning and development of our Group. He founded the Group in 2000. Mr. Hon graduated from South China Normal University (華南師範大學) with a bachelor's degree in physics in July 1983.

Mr. Hon has been the executive president of Guangdong Hot Spring Association (廣東溫泉協會) since November 2014. Mr. Hon was also granted the professional qualification as an assistant economist in February 1990 by the Jiangmen City Science and Technology Committee* (江門市科學技術委員會).

Mr. Hon is the father of Mr. Hon Ka Fung. Mr. Hon is the sole director of Harvest Talent.

Mr. HUANG Zhanxiong

Mr. HUANG Zhanxiong (黃展雄), aged 55, is our executive Director, the vice president of Guangdong Gudou, the general manager of Jiangmen Gudou Management, and also the director of and Weisheng Investment and Yueguangqu Entertainment. Mr. Huang is primarily responsible for the overall management, strategic planning and development of our Group's resort and hotel operations. He joined our Group in April 2006. Prior to joining our Group, from 2003 to 2006, Mr. Huang was the recreation centre manager of a hotel. Mr. Huang has been the vice president of the Second Council of Jiangmen Wuyi Catering Industry Association* (江門市五邑餐飲行業協會第二屆理事會) since October 2013.

Ms. ZHEN Yaman

Ms. ZHEN Yaman (甄雅曼), aged 37, is our executive Director. She joined our group in May 2016 and is mainly responsible for the overall management and overseeing legal, compliance and corporate governance matters of our Group. Ms. Zhen has over nine years of experience in legal, compliance and corporate governance matters. She is also the chairlady of our compliance committee and the compliance officer of our Company. Ms. Zhen graduated from Sun Yat-sen University with a bachelor's degree in law* (法學學士學位) in June 2002. She then obtained her master's degree in commercial law from the University of Melbourne in August 2005. Ms. Zhen obtained her Legal Professional Qualification Certificate* (法律職業資格證書) in 2008 and her Lawyer's Practising Certificate* (律師執業證書) in 2009. Ms. Zhen joined GFE Law Office in December 2006 where she was involved in various legal and compliance advisory works, including advising corporate issuers on listings in overseas stock markets (including Hong Kong). Since April 2014, Ms. Zhen has acted as the legal consultant of Genius Supreme Investments Limited, a wholly-owned subsidiary of Premiere Eastern Energy Limited which is a company listed on Australian Securities Exchange (ASX ticker code: PEZ). She was involved in the listing of Premiere Eastern Energy Limited and is responsible for its on-going corporate governance matters.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. HON Ka Fung

Mr. HON Ka Fung (韓家峰), aged 27, is our non-executive Director. Mr. Hon Ka Fung joined our Group in July 2012 and is responsible for advising on the strategic planning of mid- to long-term developments of our Group. Mr. Hon Ka Fung graduated from the University College London with a bachelor's degree in science majoring in urban planning, design and management in August 2012.

Mr. Hon Ka Fung is the son of Mr. Hon.

Mr. HUI Chin Tong Godfrey

Mr. HUI Chin Tong Godfrey (許展堂), aged 57, is our non-executive Director. Mr. Hui joined our Group in September 2014. He has been an independent non-executive director of Vinda International Holdings Limited ("Vinda") (stock code: 3331) (a manufacturer and seller of household paper products and personal care products in the PRC), a company listed on the Main Board of the Stock Exchange, since 2007. He has since resigned as an independent non-executive director with effect from 16 October 2015 and now serves as consultant to the board of directors of Vinda. Mr. Hui obtained his bachelor's degree in business administration from The Chinese University of Hong Kong in December 1983 and a master's degree in business administration (investment and finance) from the University of Hull in December 1994.

Mr. Hui is a director of Dynasty Fortune and DF Tourism.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WU Sai Him

Mr. WU Sai Him (胡世謙), aged 68, is our independent non-executive Director. Mr. Wu joined our Group on 18 November 2016.

Mr. Wu graduated from National Taiwan University with a bachelor of science in civil engineering in June 1969. He then obtained his master of science in structural engineering from University of Strathclyde in August 1974. Mr. Wu is a fellow of The Institution of Structural Engineers, The Hong Kong Institution of Engineers and The Hong Kong Institution of Highways and Transportation. From May 1994 to May 2016, Mr. Wu was the chairman of The Lighthouse Club (Hong Kong branch). Mr. Wu has been an adjunct professor at the Department of Real Estate and Construction at the University of Hong Kong since June 2014. Mr. Wu has over 38 years of experience in building construction and civil-engineering field in Hong Kong and Macau.

Mr. Wu worked at Leighton Contractors (Asia) Limited from 1981 to 1986 as the chief engineer and from 1986 to 1994 as the general manager and executive director of technical services. Mr. Wu served as the executive director at Gammon Construction Limited from 1994 to 1999, the general manager — construction of East Rail Extensions Division, Kowloon-Canton Railway Corporation from 1999 to 2001, the advisor for Brandrill Limited from 2002 to 2003, and director of commercial development of COINS Asia Pacific Limited from 2003 to 2005.

Mr. CHIU Chi Wing

Mr. CHIU Chi Wing (趙志榮), aged 53, is our independent non-executive Director. Mr. Chiu joined our Group on 18 November 2016. Mr. Chiu graduated from Lingnan College (now known as Lingnan University) with an honours diploma in accountancy in November 1986.

Mr. Chiu is a Certified Public Accountant and has been a fellow member of the Hong Kong Institute of Certified Public Accountants since September 1997. He has also been a fellow member of the Chartered Association of Certified Accountants since October 1994 and a member of the Society of Chinese Accountants and Auditors since July 1993.

Mr. Chiu is currently the school manager (校董) of Lingnan University Alumni Association (HK) Primary School and Lingnan Secondary School. Mr. Chiu was a member of the Court of Lingnan University from October 2001 to November 2005 and a member of the Council of Lingnan University from August 2006 to August 2009.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Prof. WANG Dawu

Prof. WANG Dawu (王大悟), aged 70, is our independent non-executive Director. Prof. Wang joined our Group on 18 November 2016. Prof. Wang graduated from University of Missouri with a master's degree in business administration in August 1988. Prof. Wang was appointed as a student advisor at the Shanghai Academy of Social Sciences for the masters students in the field of tourism management from September 2001 to August 2004 and subsequently a student advisor for the doctorate of philosophy students in the field of industrial economics from September 2006 to August 2009. In January 2009, he was a part-time lecturer under the cooperative education program at the Shanghai Normal University. In March 2011, Prof. Wang was appointed as a guest lecturer of the Shanghai Institute of Visual Art of Fudan University.

Prof. Wang is a recognised expert in the tourism and hospitality industry in the PRC, and has won many industry awards, including being selected as an ambassador of the China-UK Arts Exchange* (中英藝術交流形象大使) and a World Cultural Celebrity* (世界文化名人) by the World Artists Federation and the Royal Academy of Arts in 2014. He has published written works based on his experience and knowledge in the tourism and hospitality industry. Prof. Wang has also been involved in the formulation of national tourism standards as well as tourism planning and strategic development projects hosted by the Tourism Research Centre of the Shanghai Academy of Social Sciences in the PRC.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY AND OTHER SENIOR MANAGEMENT

Ms. CHAN Sin Ling

Ms. CHAN Sin Ling (陳善鈴) CPA, aged 36, is our chief financial officer and company secretary. She is primarily responsible for the financial management and corporate governance of our Group. Ms. Chan joined our Group in January 2014. Prior to joining our Group, she worked in BDO Limited from September 2002 to December 2013, during which she was promoted from an associate to a senior manager of the assurance department and was mainly responsible for leading and managing an audit team and providing audit and other assurance services to clients. Ms. Chan graduated from City University of Hong Kong with a bachelor's degree of business administration in accountancy in July 2002. She is a Certified Public Accountant and has been a member of HKICPA since March 2009.

Mr. WANG Jun (王俊)

Mr. WANG Jun (王俊), aged 39, is the vice president and financial controller of Guangdong Gudou. Mr. Wang joined our Group in July 2010 as the financial controller. Mr. Wang was promoted progressively over the years to the vice president and financial controller of Guangdong Gudou in November 2014 and is mainly responsible for our Group's financial, taxation and financial planning arrangements. Prior to joining our Group, from 2001 to 2004, Mr. Wang worked as the financial manager of a PRC enterprise principally engaged in tourism and recreational activities and the leasing and management of hotel property and was mainly responsible for the internal financial accounting and management of the PRC enterprise. From 2004 to 2010, Mr. Wang worked as the financial controller of a PRC enterprise principally engaged in property development and management and the sale of construction materials and was mainly involved in the establishment of its financial structure, systems and procedures. Mr. Wang graduated from Nanjing University of Science and Technology (南京理工大學) with a degree in computerised professional accounting (財會電算化專業專科) in July 1999. He passed the national examination for intermediate accounting in May 2004. He then completed a training course in intermediate accounting provided by the Wuyi University Computer Training Centre (五邑大學計算機培訓中心) in June 2004.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LIANG Juquan

Mr. LIANG Juquan (梁鉅泉), aged 44, is the vice president of Guangdong Gudou. Mr. Liang joined our Group in October 2002. Mr. Liang was promoted progressively over the years to the vice president of Guangdong Gudou in January 2015 and is mainly responsible for the development and sales of our Group's tourism property development operation and assisting our chairman in liaising with governmental administrative departments. Mr. Liang graduated from Jiangmen City Xinhui District Technical Secondary School* (江門市新會區中等專業學校) in the PRC with a diploma in marketing in July 2001. Mr. Liang has been a qualified construction management assistant engineer* (建築工程管理助理工程師) since December 2014 as certified by the Jiangmen City Xinhui District Human Resources and Social Security Bureau* (江門市科學技術委員會). He completed a training course on the real estate development statistical reporting system* (房地產開發統計報表制度課程) provided by Guangdong Real Estate Association (廣東省房地產行業協會) in November 2007.

Ms. MAI Cuilan

Ms. MAI Cuilan (麥翠蘭), aged 36, is the deputy general manager of Jiangmen Gudou Management. Ms. Mai joined our Group in October 2001 as a salesperson. Ms. Mai was promoted progressively over the years to the deputy general manager of Jiangmen Gudou Management in October 2014 and is mainly in charge of the sales department and responsible for the marketing development and promotional matters for Gudou Hot Spring Resort. Ms. Mai completed a professional course on hospitality management provided by Beijing Modern Economic Management Cadre School* (北京現代經濟管理幹部學校) in December 1998. In June 2000, she graduated from an intermediate course in tourism and hospitality management provided by Jiangmen City Advanced Technical School* (江門市高級技工學校). In May 2000, Ms. Mai completed an intermediate training course for restaurant wait staff provided by Jiangmen City Vocational Skills Assessment Testing Centre* (江門市職業技能核鑒定中心). She then graduated from a professional course in tourism and hospitality provided by Xin Hui Ruan Hua Qiao Middle School* (新會社阮華僑中學) in July 2000.

Mr. HE Yingquan

Mr. HE Yingquan (何英權), aged 54, is the deputy general manager of Jiangmen Gudou Management. Mr. He joined our Group in September 2010 as a director of operations. Mr. He was promoted progressively over the years to the deputy general manager of Jiangmen Gudou Management in November 2013 and is mainly responsible for the operation and management of our hot spring resort and hotel operations. Prior to joining our Group, from 1979 to 2008, Mr. He worked as the general manager and deputy general manager of a PRC enterprise principally engaged in financing and asset, equity and investment management services. From 2008 to 2009, Mr. He worked as the deputy head of the general manager's office of a PRC enterprise principally engaged in tourism and recreational activities and the leasing and management of hotel property and was mainly responsible for the leasing operations and property management of the hotel. He graduated from Guangdong Radio and Television University (廣東廣播電視大學) (now known as the Open University of Guangdong (廣東開放大學)) with a diploma in English in 1991. He was certified as a first class guest room attendant* (一級客房服務員) by the Guangdong Province Jiangmen City Workers Cultural and Technical Assessment Committee* (廣東省江門市工人文化技術考核委員會) in September 1989.

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the Period.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. 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.

RESULTS OF THE GROUP

The Group's results for the Period and the state of affairs of the Company and the Group as at 31 December 2016 are set out in the financial statements on pages 63 to 138 of this report and a review in respect of the material factors underlying its results and financial position, as well as the Group's environmental policies, are set out in the section headed "Management Discussion and Analysis" of this report. A summary of the published results and the assets and liabilities of the Group for the years ended 31 December 2014, 2015 and 2016 is set out on page 142 of this report.

BUSINESS REVIEW

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

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

- (i) a decrease in revenue generated from the tourism properties development, given that (a) the sale of the Mountain Seaview Vacation Apartments moderated in 2016 as Mountain Seaview Vacation Apartments was completed and delivered towards the end of 2014; and (b) Joyful Apartments was completed towards the end of 2016 and only certain pre-sold units of Joyful Apartments were delivered and related revenue were recognised for the Period. As at 31 December 2016, 47 units of Joyful Apartments were pre-sold but not yet delivered;
- (ii) an increase in the staff cost and the fact that the Company started to recognise renovation costs of Mountain Seaview Hotel since 2016 and the depreciation of the new entrance of Gudou Hot Spring Resort which came into use in 2016;
- (iii) an increase in Director's fees and professional fees as a result of the Listing; and
- (iv) non-recurring listing expenses.

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

DIRECTORS' REPORT

Hot Spring Resort and Hotel Operations

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

Tourism Property Development

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

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

Outlook

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

Tourism property development will continue to be the Company's focus in 2017. The Company expects the construction of Mountain Seaview Vacation Residence will be completed in the fourth quarter of 2017 and to obtain the construction permit for the Heart of Spring Apartments in the second quarter of 2017. According to the Group's revenue recognition policy, the Group will recognise revenue from property sales when the construction is completed and properties are delivered to its customers. If the sale of Mountain Seaview Vacation Residence proceeds in accordance with its development schedule, the Company expects its performance in tourism property development

DIRECTORS' REPORT

will be improved in 2017. The Group's fifth theme hotel complex, Joyful Hotel commenced operation in 2017. The Company expects to achieve a sustainable growth in hot spring resort and hotel operations in 2017. As and when appropriate opportunities arise, the Company will also consider and evaluate the possibility and feasibility of providing management services to other hot spring resort owners.

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

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The table below sets out the Directors' analysis by comparing the business objectives of the Group as set out in the Prospectus with the Group's achievement of these objectives up to 31 December 2016. These business objectives are in place with a view to generating long-term value to the Company and the Shareholders.

<u>Business Objectives</u>	<u>Actual Business Progress up to 31 December 2016</u>
1. Continue to enhance the Group's position in the hot spring and hotel industry	As the Company was listed on 9 December 2016, the Group's effort in respect of enhancing its position in the hot spring and hotel industry 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, led by Mr. Huang Zhanxiong, will continue to identify and evaluate potential business opportunities. During the Period, the Group entered into a non-legally binding letter of intent with an independent third party regarding provision of management services of a hotel proposed to be built in Jiangmen City.

DIRECTORS' REPORT

Business Objectives

2. Plan to expand the tourism property development business of the Group

3. Continue to enhance the "Gudou" brand across the PRC by providing quality products and services to the customers

Actual Business Progress up to 31 December 2016

To prepare for the expansion of the tourism property development business, the Group has adopted standardised development procedures so as to achieve a more efficient use of capital and other resources, and to complete new tourism property projects on a timely manner while maintaining an effective control over costs. As of 31 December 2016, the Group is developing two tourism property projects within Gudou Hot Spring Resort, namely Mountain Seaview Vacation Residence which will comprise mainly high-rise apartments and Heart of Spring Apartments which will comprise mainly low-rise apartments and commercial units. The two projects are on-going in accordance with the Group's development plan and marketing schedule.

The Group has implemented strict quality control standards and closely monitored the product or service quality, and the workmanship of its contractors throughout the property development process in relation to its tourism property development business. During the Period, the Group has also organised a number of promotional events to promote the "Gudou" brand, such as:

- crab festival in April 2016
- carnival in May 2016
- bitter gourd festival in June 2016
- Christmas town in December 2016

DIRECTORS' REPORT

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 its business if the mineral content and quality of the hot spring from such sources are adversely affected due to changes in the surrounding geological environment;
- (ii) the Group may not be able to obtain, extend or renew qualification certificates and relevant PRC government approvals for its tourism property developments or other business activities;
- (iii) the Group may not be able to identify attractive acquisition opportunities, or make acquisitions on attractive terms or obtain sufficient financing for completion of such acquisitions;
- (iv) operations of hot spring resorts involves risks of accidents, illnesses, environmental incidents which may negatively affect the perception of guests on the safety and hygiene of the Gudou Hot Spring Resort, which could in turn negatively impact the "Gudou" brand or the Group's reputation;
- (v) if the Group is unable to obtain necessary capital resources or suitable sites for tourism property development in a timely manner and at a reasonable cost, the Group property portfolio and future profitability could be adversely affected; and
- (vi) the Group may not be able to complete the development or construction of its current or future projects on time or within budget which may be subject to the actual circumstances during the construction period including supply of skilled labour and unforeseen environmental problems.

DIRECTORS' REPORT

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

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

USE OF PROCEEDS FROM THE PLACING

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

SHARE CAPITAL AND SECURITIES ISSUED DURING THE PERIOD

Details of the movements in share capital of the Company are set out in note 35 to the financial statements.

The following issue of Shares, all of which were incidental to the Listing, took place during the Period:

- (i) on 18 November 2016, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 Shares ranking *pari passu* in all respects with the then existing Shares;
- (ii) an aggregate of 712,000,000 Shares were issued to Harvest Talent, Dynasty Fortune, Fu An and Grand Luck and credited as fully paid by way of capitalisation of the sum of HK\$7,120,000 standing to the credit of the share premium account of the Company as a result of the issue of Shares pursuant to the Placing; and
- (iii) an aggregate of 230,000,000 Shares were issued by the Company in connection with the Placing upon it becoming unconditional at a price of HK\$0.60 per Share placed.

DIRECTORS' REPORT

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As stated in the section headed "Business – Non-compliance" of the Prospectus, although we (i) obtained the sea area use right certificate, the water extraction permit and the Approval Concerning Gudou Hot Spring Resort's Development of the "Liquan Bay" Hot Spring Resort Highend Commercial Residential Area (Xin Fu Ban Fu [2004] No. 232)* (《關於古兜溫泉度假邨開發“荔泉灣”溫泉度假高尚商品住宅區問題的批覆》(新府辦覆[2004]232號)); and (ii) fully paid the mineral resources compensation upon receipt of the invoices issued by the authority for using the hot spring resources from time to time, our Group extracted seawater hot spring in the absence of a relevant and applicable mining licence. As advised by our PRC legal advisers, under current applicable PRC rules and regulations, the Group may rectify the non-compliance by obtaining such mining right which will be granted by competent land and resources bureau through the bidding, auction or quotation process. To the best of our knowledge and understanding, such bidding, auction or quotation process for the mining right in respect of our seawater hot spring resources is currently expected to take place in 2017. It was also advised by our PRC Legal Advisers that there is no legal impediment for obtaining the mining licence if we succeed in the bidding, auction or quotation process.

As far as the Board is aware and save as disclosed above and in the Prospectus, the Company has complied in material respects with the relevant laws and regulations that have significant impact on the business and operation of the Group.

DIVIDENDS

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

RESERVES

As at 31 December 2016, the total reserves available for distribution to Shareholders by the Company amounted to approximately RMB338.6 million (2015: RMB131.1 million). Movements in the reserves of the Group and of the Company during the Period are set out in the Consolidated Statement of Changes in Equity and note 41 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Period are set out in note 15 to the financial statements.

PROPERTIES HELD FOR SALE

The Group's properties held for sale, which stated at cost, were valued at approximately RMB157.0 million as at 30 September 2016 as disclosed in the Appendix III to the Prospectus. As the saleable GFA of the properties held for sale has decreased during the period from 30 September 2016 to 31 December 2016 as a result of sales and delivery of properties to our customers, the fair value stated above was adjusted on a pro rata basis.

INVESTMENT PROPERTIES

Movements in the investment properties of the Group during the Period are set out in note 17 to the financial statements. All of the Group's investment properties were revalued by an independent professional property valuer as at 31 December 2016 adopting sales comparison approach. Details of the investment properties of the Group as at 31 December 2016 are set out in the Particulars of Properties on pages 139 to 141 of this report.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles and there is no restriction against such rights under the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

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.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 18 November 2016 which became unconditional upon Listing for a period of 10 years from 9 December 2016.

The Scheme is valid and effective for a period of 10 years from 9 December 2016 and its purpose is to reward eligible participants who have contributed or will contribute to the Group and to encourage eligible participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole, and to maintain or attract business relationships with participants whose contributions are or may be beneficial to the growth of the Group.

Eligible participants of the Scheme include (i) any Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of the Group; and (ii) any advisers, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group, whom the Board considers, in its sole discretion, to have contributed or will contribute to the Group.

The total number of Shares of the Company available for issue under the Scheme is 98,000,000 Shares, representing 10% of the total number of Shares in issue as at the date of this report. The total number of Shares of the Company to be issued upon exercise of the share options granted to each eligible participant under the Scheme in any 12-month period must not exceed 1% of the total Shares of the Company then in issue, unless approved by Shareholders of the Company in general meeting in the manner prescribed under the GEM Listing Rules. The number of Shares to be issued in respect of which options may be granted to a substantial shareholder or an independent non-executive Director or any of their respective close associates (within the meaning of the GEM Listing Rules) representing in aggregate over 0.1% of the total number of the Company's issued Shares on the date of such grant or with an aggregate value in excess of HK\$5,000,000 must be approved by Shareholders in general meeting.

An offer of a grant of share options under the Scheme may be accepted within five business days from the date on which the offer is made with a cash consideration of HK\$1.00 payable to the Company. The period for the exercise of a share option is determined by the Board in its sole discretion, but such period shall not be more than 10 years from the date of grant of the option.

DIRECTORS' REPORT

Under the Scheme, the subscription price payable upon exercise of any options granted is determined by the Board but in any event it shall be at least the highest of: (i) the closing price of the Company's Shares as stated in the Stock Exchange's daily quotation sheets on the date on which the option is offered to a participant; (ii) the average of the closing prices of the Company's Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer of the option; and (iii) the nominal value of the Company's Shares.

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 December 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management of the Company are set out on pages 15 to 20 of this report.

LIST OF DIRECTORS

The Directors during the Period and up to the date of this report were:

Executive Directors

Mr. Hon Chi Ming (*Chairman and Chief Executive Officer*)

Mr. Huang Zhanxiong

Ms. Zhen Yaman (*appointed on 19 May 2016*)

Non-Executive Directors

Mr. Hon Ka Fung

Mr. Hui Chin Tong Godfrey

Independent Non-Executive Directors (*all of whom appointed on 18 November 2016*)

Mr. Wu Sai Him

Mr. Chiu Chi Wing

Prof. Wang Dawu

The directors of the Group's subsidiaries during the Period and up to the date of this report include Mr. Hon and Mr. Huang Zhanxiong.

DIRECTOR'S SERVICE CONTRACTS

There are no service contracts for any of the Directors who are nominated for re-election at the forthcoming annual general meeting of the Company to be held in 2017 which are not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Our Directors are indemnified against actions, costs, charges, losses, damages and expenses incurred in discharge of their duties subject to the provisions of the Articles and other applicable legislation. We have taken out Directors' and officers' liabilities insurance for such purposes with effect from the Listing.

DIRECTORS' REPORT

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and the five highest paid individuals in the Group are set out in notes 12 and 13 to the financial statements.

EMOLUMENT POLICY

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses related to the performance of our Company. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. We review and determine the remuneration and compensation package of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and senior management and the performance of our Company. Our Directors and employees of the Group may also receive options which may be granted under the Scheme adopted by the Shareholders of the Company on 18 November 2016. However, no option was so granted during the Period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2016, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules were as follows:

Long positions in the Shares

Name	Capacity/Nature of interest	Interests in Ordinary Shares (Note 1)	Approximate percentage shareholding
Mr. Hon	Interest of a controlled corporation (Note 2)	532,500,000 (L)	54.34%
Mr. Hui Chin Tong Godfrey	Interest of a controlled corporation (Note 3)	90,000,000 (L)	9.18%

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. Mr. Hon owns one share (with no par value) in Harvest Talent, representing 100% of its issued share capital. Harvest Talent is an associated corporation (within the meaning of Part XV of the SFO) of the Company and the registered owner of 532,500,000 Shares. By virtue of the SFO, Mr. Hon is deemed to be interested in all the Shares held by Harvest Talent.
3. These 90,000,000 Shares are registered in the name of DF Tourism as the nominee of Dynasty Fortune. DF Tourism is wholly-owned by Dynasty Fortune. Mr. Hui Chin Tong Godfrey owns 100% of the issued share capital of Dynasty Fortune. By virtue of the SFO, Mr. Hui Chin Tong Godfrey is deemed to be interested in all the Shares owned by Dynasty Fortune.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2016, the interests and short positions of substantial shareholders and other persons, other than the Directors or chief executives of the Company, in the Shares and the underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity/Nature of interest	Interests in Ordinary Shares (Note 1)	Approximate percentage shareholding
Harvest Talent	Beneficial owner (Note 2)	532,500,000 (L)	54.34%
Mrs. Hon	Interest of spouse (Note 3)	532,500,000 (L)	54.34%
Dynasty Fortune	Beneficial owner (Notes 4 and 5)	90,000,000 (L)	9.18%
DF Tourism	Nominee for another person (Notes 4 and 5)	90,000,000 (L)	9.18%
Fu An	Beneficial owner (Note 6)	60,000,000 (L)	6.12%
Wealth Promise	Nominee for another person (Note 6)	60,000,000 (L)	6.12%
Mr. Li Chao Wang	Interest of a controlled corporation (Note 7)	97,500,000 (L)	9.95%
Ms. Song Min	Interest of spouse (Note 8)	97,500,000 (L)	9.95%

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. Harvest Talent is beneficially and wholly-owned by Mr. Hon, our executive Director. By virtue of the SFO, Mr. Hon is deemed to be interested in all the Shares held by Harvest Talent. Mr. Hon is also the sole director of Harvest Talent.
3. By virtue of the SFO, Mrs. Hon, the spouse of Mr. Hon, is deemed to be interested in all the Shares in which Mr. Hon is interested.
4. These Shares are registered in the name of DF Tourism as the nominee of Dynasty Fortune. DF Tourism is wholly-owned by Dynasty Fortune.
5. Dynasty Fortune is beneficially and wholly-owned by Mr. Hui Chin Tong Godfrey, our non-executive Director. By virtue of the SFO, Mr. Hui Chin Tong Godfrey is deemed to be interested in all the Shares beneficially owned by Dynasty Fortune. Mr. Hui Chin Tong Godfrey is also a director of Dynasty Fortune and DF Tourism.
6. These Shares are registered in the name of Wealth Promise as the nominee of Fu An. Wealth Promise is wholly-owned by Fu An.

DIRECTORS' REPORT

7. Fu An is beneficially owned as to 74.21% by Mr. Li Chao Wang. By virtue of the SFO, Mr. Li Chao Wang is deemed to be interested in all the Shares owned by Fu An. Mr. Li Chao Wang is also deemed to be interested in all the Shares beneficially owned by Grand Luck, namely 37,500,000 Shares, by virtue of the SFO, as he beneficially owns the entire issued share capital of Grand Luck. Accordingly, Mr. Li Chao Wang is deemed to be interested in a total of 97,500,000 Shares under the SFO.
8. By virtue of the SFO, Ms. Song Min, the spouse of Mr. Li Chao Wang, is deemed to be interested in all the Shares in which Mr. Li Chao Wang is interested.

COMPETING INTERESTS

None of the Directors or controlling shareholders of the Company and their respective close associates (within the meaning of the GEM Listing Rules) has any interest in a business which competed or might compete with the business of the Group or has any other conflict of interest with the Group during the Period. As disclosed in the Prospectus, the Company and its controlling shareholders of the Company (namely, Mr. Hon and Harvest Talent) had entered into a deed of non-competition, pursuant to which they have given certain non-competition undertakings in favour of the Group, including making an annual declaration as to compliance with the terms of the deed of non-competition. The Company has received from each of the controlling shareholders the confirmation that they and their respective close associates have complied with the terms of those non-competition undertakings during the period from the Company's Listing on 9 December 2016 to 31 December 2016 and our independent non-executive Directors have reviewed the compliance by our controlling shareholders with the deed of non-competition for that period.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company (not being a contract of service with any Director of the Company or any person engaged in the full-time employment of the Company) was entered into or was subsisting during the Period.

CONTRACTS OF SIGNIFICANCE TO THE BUSINESS OF THE GROUP

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

No contracts of significance (including those in relation to provision of services) between members of the Group and the controlling shareholder of the Company or any of its subsidiaries subsisted at the end of the Period or at any time during the Period.

ARRANGEMENT TO ACQUIRE SHARES AND DEBENTURES

At no time during the Period was the Company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

Our five largest customers collectively accounted for approximately 24.3% of our total turnover for the Period (2015: approximately 19.1%) and our largest customer accounted for approximately 9.2% of our total turnover for the Period (2015: approximately 10.6%).

Our five largest suppliers accounted for approximately 69.9% of our total purchases for the Period (2015: approximately 54.3%) and our largest supplier accounted for approximately 53.7% of our total purchases for the Period (2015: approximately 32.0%).

None of our Directors and their respective close associates (within the meaning of the GEM Listing Rules) or any holder of Shares who, to the knowledge of the Directors, owns more than 5% of the Company's issued Shares has any interest in any of our five largest customers or our five largest suppliers in respect of the Period.

RELATED PARTY TRANSACTIONS

Material related party transactions entered into by the Group during the Period are set out in note 40 to the financial statements. These transactions do not fall under the definition of "connected transaction" or "continuing connected transactions" (as the case may be) under the GEM Listing Rules.

ANNUAL CONFIRMATION OF INDEPENDENCE

The Company has received from each independent non-executive Director the annual confirmation of his independence, and the Company considers them to be independent in light of the guidelines set out in Rule 5.09 of the GEM Listing Rules.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float of not less than 25% of the Company's issued Shares as required under the GEM Listing Rules.

CHARITABLE CONTRIBUTIONS

During the Period, the Group made charitable contribution of approximately HK\$314,000.

EVENTS AFTER THE REPORTING PERIOD

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

INTEREST OF COMPLIANCE ADVISER

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

DIRECTORS' REPORT

CHANGE OF COMPLIANCE ADVISER

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

AUDITORS

In the Period, the Company's auditors changed from RSM Hong Kong (formerly known as RSM Nelson Wheeler) to PricewaterhouseCoopers.

The consolidated financial statements of the Company for the year ended 31 December 2016 have been audited by PricewaterhouseCoopers and have been reviewed by the audit committee of the Company.

A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board of

Gudou Holdings Limited

Hon Chi Ming

Chairman

Hong Kong, 21 March 2017

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continued growth of the Group and for safeguarding and maximising Shareholders' interests.

Between the date of Listing on 9 December 2016 and 31 December 2016, the Company has complied with the code provisions set out in the CG Code, except that 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.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Upon specific enquiry made with all the Directors, the Company was not aware of any non-compliance with the Model Code regarding securities transactions by Directors for the period from the date of Listing to 31 December 2016.

BOARD OF DIRECTORS

Board composition and responsibilities

Our Board consists of eight Directors, including three executive Directors, two non-executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Hon Chi Ming (*Chairman and Chief Executive Officer*)

Mr. Huang Zhanxiong

Ms. Zhen Yaman

Non-Executive Directors

Mr. Hon Ka Fung

Mr. Hui Chin Tong Godfrey

Independent Non-Executive Directors

Mr. Wu Sai Him

Mr. Chiu Chi Wing

Prof. Wang Dawu

CORPORATE GOVERNANCE REPORT

Details of background and qualifications of all Directors are set out in the section headed “Biographical Details of Directors and Senior Management” of this report. Save that Mr. Hon and Mr. Hon Ka Fung are father and son, there is no relationship, including financial, business, family or other material/relevant relationship(s) between members of the Board.

The overall management of the Company’s business is vested in the Board which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group’s business to the executive Directors and senior management.

The Board has established an internal framework to ensure that the type of material transactions that require Board’s approval is consistently applied throughout the Group. Significant matters of the Group that require Board’s approval include:

- (i) formulating corporate development planning and restructuring;
- (ii) formulating the Company’s operational and management strategies;
- (iii) approving capital expenditures, investments or divestments exceeding certain material limits;
- (iv) approving financial statements;
- (v) approving notifiable transactions and connected transactions undertaken by any member of the Group as may be required under the GEM Listing Rules;
- (vi) approving the internal control and risk management systems of the Group; and
- (vii) distribution of any dividend.

Regular meetings of the Board will be held to deliberate the strategic policies of the Company including significant acquisitions and disposals, review and approve annual budgets, review the performance of the business and approve the public release of periodic financial results. Directors are also provided with access to independent professional advice in carrying out their obligations as Directors as and when required, at the expense of the Company.

Appointment and Re-election of Directors

Each executive Director has entered into a service contract with the Company for a term of three years and each non-executive Director (including the independent non-executive Directors) has entered into a letter of appointment for a term of one year. Each Director is subject to retirement by rotation but is eligible for re-election at the annual general meeting in accordance with the Articles. None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract or letter of appointment with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation. We have also taken out Directors’ and officers’ liabilities insurance for such purposes with effect from the Listing.

CORPORATE GOVERNANCE REPORT

The Articles have specified that any Directors appointed during the year to fill a casual vacancy are subject to re-election by Shareholders at the first annual general meeting after appointments and any Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Each Director shall be subject to retirement by rotation at least once every three years pursuant to the Articles.

Directors' Training

During the Period, our Directors have participated in continuous professional development by attending a training session in respect of the roles and responsibilities of directors of a company listed on the GEM, as well as reading related materials. They also received from the Company from time to time updates on laws, rules and regulations which may be relevant to their roles, duties and functions as directors of a listed company. Particulars of participation by the Directors are set out as follows:

	Reading materials relevant to directors' roles and responsibilities	Attending training session relevant to directors' roles and responsibilities
Executive Directors		
Mr. Hon Chi Ming	✓	✓
Mr. Huang Zhanxiong	✓	✓
Ms. Zhen Yaman	✓	✓
Non-executive Directors		
Mr. Hon Ka Fung	✓	✓
Mr. Hui Chin Tong Godfrey	✓	✓
Independent Non-executive Directors		
Mr. Wu Sai Him	✓	✓
Mr. Chiu Chi Wing	✓	✓
Prof. Wang Dawu	✓	✓

BOARD COMMITTEES

In order to assist the Board in discharging its duties in a more efficient manner, the Board has established, with written terms of reference, four Board committees, namely audit committee, nomination committee, remuneration committee and compliance committee, to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties. The written terms of reference for each Board committee are in compliance with the GEM Listing Rules and they are posted on the websites of the Stock Exchange and the Company (except for that of the compliance committee which is not required to be posted).

CORPORATE GOVERNANCE REPORT

Audit Committee

Our Company established an audit committee on 18 November 2016 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code have been adopted. The primary duties of the audit committee are mainly to make recommendation to the Board on the appointment, reappointment and removal of external auditor, monitor the integrity of the financial statements, annual reports, half-yearly reports and quarterly reports, review significant financial reporting judgments contained in them, oversee financial reporting system, review risk management and internal control systems of our Company. The audit committee of our Company consists of three independent non-executive Directors, being Mr. Chiu Chi Wing, Mr. Wu Sai Him and Prof. Wang Dawu. Mr. Chiu Chi Wing is the chairman of the audit committee.

As the Company was listed on 9 December 2016, no audit committee meeting was held during the Period.

Nomination Committee

Our Company established a nomination committee on 18 November 2016. Written terms of reference in compliance with code provision A.5.2 of the CG Code have been adopted. The primary duties of the nomination committee are to review the structure, size, composition and diversity of the Board and make recommendations to the Board on the selection of individuals nominated for directorships, appointment or re-appointment of Directors and succession planning for Directors. The nomination committee of our Company consists of three independent non-executive Directors, being Mr. Chiu Chi Wing, Mr. Wu Sai Him and Prof. Wang Dawu. Mr. Wu Sai Him is the chairman of the nomination committee.

The Board recognises the importance of its diversity in relation to its business, and adopted on 18 November 2016 a Board diversity policy (the “**Diversity Policy**”). As a summary of the Diversity Policy, selection of candidates has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision of Board appointment will be based on merit and contribution that the selected candidates may bring to the Board.

As the Company was listed on 9 December 2016, no nomination committee meeting was held during the Period. The nomination committee has not set any measurable objective implementing the Diversity Policy. The nomination committee will, however, report annually on the Board’s composition under diversified perspectives, and monitor the implementation of the Diversity Policy. Such Diversity Policy and objectives (if any) will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board.

Remuneration Committee

Our Company established a remuneration committee on 18 November 2016 in compliance with Rule 5.34 of the GEM Listing Rules. Written terms of reference in compliance with Rule 5.35 of the GEM Listing Rules and code provision B.1.2 of the CG Code have been adopted. The primary duties of the remuneration committee are mainly to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review remuneration proposals of the management with reference to the Board’s

CORPORATE GOVERNANCE REPORT

corporate goals and objectives; and ensure none of our Directors or any of their associates is involved in deciding their own remuneration. The remuneration committee of our Company consists of three independent non-executive Directors, being Mr. Chiu Chi Wing, Mr. Wu Sai Him and Prof. Wang Dawu. Mr. Wu Sai Him is the chairman of the remuneration committee.

The remuneration committee is authorised by the Board to determine (subject to approval by the Board) the remuneration payable to Directors and members of senior management, the emolument policies and the basis for determining such emoluments. No Director or any of his associates was involved in deciding his own remuneration.

As the Company was listed on 9 December 2016, no remuneration committee meeting was held during the Period.

Compliance Committee

Our Company established a compliance committee on 18 November 2016 which comprises Ms. Zhen Yaman (our executive Director and compliance officer) as chairlady, Mr. Huang Zhanxiong (our executive Director), Ms. Chan Sin Ling (our chief financial officer and company secretary) and Mr. Li Yanan (our PRC legal consultant). Written terms of reference have been adopted. The primary duties of the compliance committee are mainly to monitor and oversee the compliance related matters of the Group. Ms. Zhen possesses professional legal qualification and has over nine years of experience in legal, compliance and corporate governance matters. Ms. Chan is a certified public accountant and has knowledge and experience in compliance and internal control gained from her prior practice in accounting and her role as our Company's chief financial officer and company secretary. Mr. Li is a partner of Guangdong Guanhong Law Firm* (廣東貫虹律師事務所), a PRC law firm. Mr. Li obtained his Legal Qualification Certificate* (律師資格證書) in September 1995 and has over 20 years of experience in legal and compliance matters.

The compliance committee will conduct on-going assessments in response to new legal and regulatory requirements, update compliance and internal control procedures and oversee their implementation from time to time. The compliance committee will collect monthly reports from different department heads of our Group regarding compliance matters, including status of any non-compliance issues, identify and assess our Group's risk exposure based on such reports, and propose improvement and remedial measures and oversee their implementation. It will prepare and submit a summary report quarterly to our Board on the overall compliance performance and corporate governance practices of our Company. The compliance committee will follow up on the relevant issues raised in the annual internal control review report prepared by the external internal control consultant. Members of the compliance committee shall attend training relevant to their work duties to enhance their knowledge regarding compliance matters annually. The compliance officer shall be the main person responsible for collaborating with respective staff and external consultants and monitoring whether there has been any recurrence of our Group's historical non-compliance incidents and reporting the status of compliance to the Board on a monthly basis.

As the Company was listed on 9 December 2016, no compliance committee meeting was held during the Period.

CORPORATE GOVERNANCE REPORT

Corporate Governance Functions

The Board as a whole is responsible for performing the corporate governance functions set out in code provision D.3.1 of the CG Code, namely:

- (i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the board;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct and compliance manual (including in relation to securities trading) applicable to employees and Directors; and
- (v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report in the Company's annual reports.

No Board meeting was held from the Company's date of Listing on 9 December 2016 to 31 December 2016.

BOARD MEETINGS AND ATTENDANCE RECORD OF DIRECTORS

Code provision A.1.1 of the CG Code states that at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of Directors, either in person or through other electronic means of communication.

The Company was listed on 9 December 2016. Therefore, the Board did not hold regular meetings to discuss the Group's affairs, review and approve finance and operating performances, and consider and approve the Group's strategies and policies during the period from the Company's date of Listing on 9 December 2016 to 31 December 2016. The Board will schedule to have at least four regular meetings in 2017. Other board meetings will be held if necessary.

AUDITOR'S REMUNERATION

The fees in respect of audit and non-audit services provided by the external services providers, PricewaterhouseCoopers (for audit services) and RSM Consulting (Hong Kong) Limited (for non-audit services) to the Group for the year ended 31 December 2016 amounted to approximately HK\$1.0 million and HK\$0.2 million respectively. The non-audit service fee represented primarily service fees for RSM Consulting (Hong Kong) Limited acting as internal control consultant for the Company's Listing. Such non-audit services include reviewing the internal control procedures of the Group and recommending areas of improvement where appropriate.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Ms. Chan Sin Ling, the Company's company secretary, has undertaken no less than 15 hours of relevant professional training to update her skills and knowledge in respect of the Period.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR ACCOUNTS

The Directors acknowledge their responsibility for the preparation of consolidated financial statements of the Company for the Period, which give a true and fair view of the financial position of the Group on a going concern basis.

Statements of Directors' responsibilities for preparing the consolidated financial statements of the Company and external auditor's reporting responsibilities are set out in the "Independent Auditor's Report" in this report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group's internal control system has a key role in the identification and management of risks that are significant to the achievement of its business objectives. The process of business risk management has been integrated throughout the Group into business planning and monitoring processes. The Group's management continuously evaluates and monitors the significant risks, while the Board reviews the overall risk management system to ensure that the processes are adequate to control and manage the significant risks identified.

The Board has the overall responsibility to maintain an effective internal control system in order to safeguard the Group's assets and Shareholders' interests, and review and monitor the effectiveness of the Group's risk management and internal control systems at least annually covering material controls, including financial, operational and compliance controls and risk management functions, to ensure that the systems in place are adequate. The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following features:

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- *Evaluation:* Analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

The risk management and internal control systems adopted by the Group are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

CORPORATE GOVERNANCE REPORT

As the Company was listed on 9 December 2016, the Board had not conducted a review of the Company's risk management and internal control systems during the Period. Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, supported by the audit committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness. The Company engaged RSM Consulting (Hong Kong) Limited, an external independent consultant, to conduct a review of the internal controls system of the Group in order to maintain high standards of corporate governance during the Period. The Board and its audit committee will review the adequacy and effectiveness of the Group's risk management and internal control systems and the need for establishing a separate internal audit department semi-annually going forward and resolve material internal control defects as and when required.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is aware of the relevant obligations under the SFO and the GEM Listing Rules. The Group also adopts and implements an inside information policy and procedures in order to protect inside information from unauthorised disclosure. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality covenants will be in place when the Group enters into significant negotiations.

In addition, all employees are required to strictly adhere to the rules and regulations regarding the management of inside information, including that all employees who, because of his/her office or employment, is likely to be in possession of inside information in relation to the Company, are required to comply with the securities transaction rules adopted by the Company which are on terms no less exacting than those required under the GEM Listing Rules.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide a forum for the Shareholders to exchange views directly with the Board. Subject to provisions of the applicable laws in the Cayman Islands and rules and regulations of the Stock Exchange, an annual general meeting of the Company is held each year and at the venue as determined by the Board. Each general meeting, other than an annual general meeting, is called an extraordinary general meeting ("EGM").

CORPORATE GOVERNANCE REPORT

Right to Convene EGMs and Procedures

Pursuant to Article 64 of the Articles, the Board may, whenever it thinks fit, convene an EGM. Any one or more holder of Shares holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. The requisition must be deposited at the registered office of the Company.

If within 21 days of such deposit, the Board fails to proceed duly to convene such EGM, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Right to Put Enquiries to the Board

Shareholders may direct enquiries about their shareholdings to the Company's share registrars. To the extent the requisite information of the Company is publicly available, Shareholders and the investing community may at any time make enquiry in respect of the Company in writing at our office in Hong Kong by post, facsimile or email via the numbers and email addresses provided on the Company's website at www.gudouholdings.com.

Right to Put Forward Proposals at General Meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Companies Law (as revised) of the Cayman Islands. Subject to provisions of the Articles, eligible Shareholders who wish to move a resolution may by means of requisition convene an extraordinary general meeting following the procedures set out above.

INVESTOR RELATIONS

The Company establishes different communication channels with investors to update them with the latest business development and financial performance including the publication of quarterly, interim and annual reports, the publish and posting of notices, announcements and circulars on the GEM website and the Company's website in order to maintain a high level of transparency.

CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published its memorandum of association and the Articles on the respective websites of the Stock Exchange and the Company. Since the Listing of the Company and up to 31 December 2016, no amendments were made to the constitutional documents of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GENERAL

This report covers certain environmental and social responsibility aspects underlying the Group's business operations in the PRC during the Period and is prepared with reference to the Environmental, Social and Governance Reporting Guide as set out in Appendix 20 of the GEM Listing Rules.

For details of the Group's financial performance and corporate governance matters, please refer to other sections in the annual report of the Company of which this report forms part.

Sustainability Overview and Management Objectives

The Group believes its success is founded upon the principles of sustainability through providing quality services to guests at Gudou Hot Spring Resort consistently, developing quality properties within Gudou Hot Spring Resort, whilst at the same time striving to preserve the surrounding environment and support the communities through its social responsibility practices.

The Group has established a set of management policies and adopted various measures on environmental protection and natural resources reservation to help ensure the sustainable development and operation of the business. The Group actively manages its business in an environmentally and socially responsible manner consistent with the policies adopted and the below sections present a brief summary of these policies and their implementation during the Period.

GROUP POLICIES RELATING TO ENVIRONMENTAL PROTECTION

As Gudou Hot Spring Resort and the Group's operation are based in the PRC, its business operations are principally subject to the PRC environmental laws and regulations. With a view to complying with the relevant environmental laws and regulations and minimising the impact on the environment as well as to report on the environmental and social aspects of the Group's business operations, the Group has started to develop during the Period an environmental management program ("**EMP**") for the purpose of identifying aspects of the Group's operations ("**Aspects**") that may have significant impact on the environment in light of applicable laws and otherwise.

Under the EMP, representatives from each operational department within the Group will meet yearly with the Group's environmental management representative ("**EMR**") to review its key processes and identify possible Aspects underlying the operation of such department. The Group's senior management team will then discuss with the EMR regarding any significant Aspects identified, and design measures aiming at reducing the environmental impacts arising from such Aspects. These measures will be documented and the related staff will be provided with suitable training, with EMR supervision and reporting to senior management from time to time to ensure effective implementation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Emissions and Waste Generation

The principal types of emissions and wastes generated from the Group's business operations, i.e. the operation and management of the hot spring resort and hotel facilities of Gudou Hot Spring Resort and the development and sale of tourism properties located at Gudou Hot Spring Resort, are listed as follows and the Group believes these emissions do not have a significant adverse impact on the environment:

- Paper, household wastes, food wastes from the Group's business and other incidental wastes

As part of the Group's business, it generates non-hazardous wastes such as paper from guest room amenities packaging, household wastes from guests and food wastes from the catering and restaurant business in Gudou Hot Spring Resort. As the Company was listed on the Stock Exchange in December 2016, the Company did not record the generation of wastes during the Period. In 2017, the Group will develop and put in place a system to monitor generation of wastes from the Group's operations and collect data accordingly.

Gudou Hot Spring Resort also generates certain domestic wastes which are discharged in ordinary means in compliance with applicable regulations in the PRC.

The Group's waste management strategy focuses on legal disposal, reduction and reuse of wastes. All the waste disposal and processing must be carried out by government-certified service providers according to PRC laws and regulations. Recyclable wastes are collected according to classifications and are delivered to a recycling vendor in the Xinhui District where appropriate.

- Greenhouse gas (GHG) emissions which include carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O)

These greenhouse gases are principally emitted from the use of electricity and fuels derived from fossil fuels within our Gudou Hot Spring Resort. Catering and restaurant business of our Gudou Hot Spring Resort also generates smokes and fumes. The Group has commenced the use of electrical carts for the transportation within Gudou Hot Spring Resort by our guests in order to reduce the direct emission of GHG. Therefore, emissions of GHG from vehicles in Gudou Hot Spring Resort is not considered material.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The below table sets out the key statistics relating to GHG emissions.

	2016
Total GHG emissions ² (approximate tonnes)	9,786.0
— Direct emissions ³ (approximate tonnes)	596.9
— Energy indirect emissions (approximate tonnes)	9,189.1
Total GHG emissions per Occupied Room Night (tonnes/room night) ⁴	0.05

Notes:

1. GHG emission data is presented in carbon dioxide equivalent and the calculation of GHG emissions during the Period was estimated based on the amount of electricity and fuels consumed and the relevant emission factors.
2. Due to its business nature, the Directors consider that the significant air emissions of the Group are the GHG emissions, arising mainly from the use of electricity and fuels derived from fossil fuels within our Gudou Hot Spring Resort.
3. Direct emissions of GHG during the Period mainly arose from the catering and restaurant business of our Gudou Hot Spring Resort.
4. The total GHG emissions per Occupied Room Night is for illustrative purpose and is calculated by dividing total GHG emissions by the Total Occupied Room Night during the Period.
5. As certain emission factor data in the calculation of GHG emissions above may not be available in the PRC, relevant emission factor data in Hong Kong has been applied.

In addition to the direct emissions from the combustion of fuels, the use of electricity by the Group is also indirectly attributable to production of GHG, most notably from the electricity generation process. With reference to the kilowatt-hour power generation to carbon dioxide emission ratio respectively published by the PRC provincial government, during the Period, approximately 9,189 tonnes of carbon dioxide equivalent were attributable to the Group's electricity usage in the operation of Gudou Hot Spring Resort.

In respect of the tourism property development business, wastes generated during the development include demolition wastes, broken bricks, sand, concrete, waste packaging materials as well as domestic garbage. The Group outsources its construction work to independent construction contractors. Pursuant to the respective construction 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, including management of waste generated during the construction. As a result, data in respect of wastes generated from tourism property development business during the Period is not available to the Group.

During the Period, the Group did not receive any notification regarding emission, waste disposal and sewage discharge violation. The Group believes that the emission, disposed waste and discharged sewage does not pose material impact on the surrounding environment which is different from local domestic emissions, waste disposals or sewage discharges.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Measures undertaken to reduce emissions and wastes

With a view to minimising the environmental impact brought by these emissions and wastes, the Group has adopted the following measures during the Period to supplement its EMP:

1. Increasing the utilisation of electric vehicles within Gudou Hot Spring Resort as opposed to fossil fuel-powered vehicles so as to reduce emissions from sources.
2. Understanding better the Group's suppliers and subcontractors and taking into account their environmental and social responsibility practices in the recruitment process. Please refer to the sub-section headed "Social Responsibility Operational Practices — Supply Chain Management" below in this report for further details.
3. Periodically arranging environmental compliance inspections to ensure the Group's compliance with the applicable PRC environmental laws relating to the Group's operations. During the Period, the Group has commissioned one independent environmental inspection at Joyful Apartment as regards its compliance with applicable regulations on emissions, sewage discharges and noise and the Group has complied with the relevant environmental standards.

For policies and measures undertaken by the Group to reduce the use of electricity, please refer to the paragraph headed "Resources consumption — Electricity" below.

Resources Consumption

The Group recognises the importance of efficient resources consumption and continuously aims at streamlining its operations with a view to developing an energy-efficient culture. The principal types of resources utilised by the Group in the operation and management of Gudou Hot Spring Resort during the Period, and the measures undertaken by the Group to promote efficient usage are discussed below:

- Water

The operation of Gudou Hot Spring Resort involves high water consumption as it needs to serve 62 public pools and 141 private pools in themed hotel complexes. According to the water extract permits issued by the Xinhui District Water Bureau of Jiangmen City, the Group is allowed to extract a maximum of 662,500 cubic metres of freshwater (for freshwater hot spring) and 730,000 cubic metres of geothermal water (for seawater hot spring) per annum respectively. Freshwater hot spring resources can be replenished naturally by rain water that flows underground and other underground water and seawater hot spring resources can be replenished naturally by sea water that flows underground and the other underground water.

The Group's office and tourism property development business utilised insignificant amount of water resources as compared to domestic water usage at Gudou Hot Spring Resort. During the Period, the aggregate volume of hot spring water and domestic water consumed at Gudou Hot Spring Resort amounted to approximately 1,574,000 tonnes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Total Consumption of Water Resources

	Total consumption (Thousand Tonnes)	Average water usage per Occupied Room Night (Approximate Tonnes/ room night)
Domestic water	1,100.6	2.2
Hot spring water	473.5	7.4

Note:

1. The average water usage per Occupied Room Night is for illustration purpose only and is calculated by dividing total consumption by Total Occupied Room Night during the Period.

In order to ensure efficient and sustainable use of water resources, the Group has closely monitored the usage of water resources to ensure the volume of water actually extracted by Gudou Hot Spring Resort is below the maximum extraction volume. The Group has also adopted internal guidelines and provides staff education to promote water conservation, as well as routinely inspects and upkeeps water supply facilities. To further ensure quality of water supplied for use at Gudou Hot Spring Resort, the Group has also adopted clear guidelines regarding sanitisation and filtration in water supply and storage facilities. The management also constantly monitors status of our spring water sources and engages hot spring experts for conducting annual check on the quality and quantity of our spring water sources.

In addition to the continuous discharge of hot spring water into Huangmao Sea (黃茅海), the operation of the hotel and other ancillary facilities within Gudou Hot Spring Resort also generates sewage (e.g. water used by guests for personal care and by hotel staff for cleaning and domestic use). In order to minimize the impact of the Group's water discharges on the surrounding environment, the Group has developed two separate drainage systems with capability to process 2,700 tonnes of water per day. Both systems are utilised during peak seasons and are utilised alternatively during low seasons on a daily basis. A large-scale water purification system has also been set up in Gudou Hot Spring Resort which involves numerous procedures including anaerobic oxidation and sterilisation to purify the sewage generated and ensure that sewage discharged is filtered of residue before discharge.

During the Period, the Group was not aware of any issue in sourcing water that is fit for purpose.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Electricity

Electricity is necessary for the operation of hotel and other ancillary facilities within Gudou Hot Spring Resort and the tourism property development and is the main source of energy used. During the Period, the Group's electricity utilisation data during the Period is as follows:

Total Consumption of Electricity

Year	Total consumption (megawatt-hour)	Average electricity usage per Occupied Room Night (kilowatt-hour/room night)
2016	11,631.7	55.0

Note:

Average electricity usage per Occupied Room Night is for illustrative purpose only and is calculated by dividing total consumption by Total Occupied Room Nights during the Period.

The Group has adopted an internal policy during the Period to promote conservative energy uses. Under the policy, the usage of electricity in Gudou Hot Spring Resort is continuously monitored and there are clear guidelines on the operating hours/energy-saving measures in respect of electrical appliances such as office equipment and lighting and air conditioning facilities. For example, during summer time, lightings may only be switched on from 7pm to midnight while during winter time, lightings may be switched one hour earlier. Data of electricity usage is collected and analysed in the monthly meeting in respect of electricity usage. Since 2015, Gudou Hot Spring Resort is illuminated with fluorescent lamps or other energy efficient lights (which generally utilize 1500 kWh) as opposed to traditional lights (which generally utilize 2600 kWh). In addition, energy consumption efficiency of electrical appliances will also be taken into account when purchases are being considered.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Paper and Packaging Materials

The Group's operation does not involve high level of paper and packaging materials. The Group mainly adopts paper and packaging materials for guest room amenities in the hotel facilities within Gudou Hot Spring Resort. As the Company was listed on the Stock Exchange in December 2016, the Company did not record the usage of paper and packaging materials during the Period. In 2017, the Group will develop and put in place a system to monitor the usage of paper and packaging materials and collect data accordingly.

To facilitate efficient paper usage, the Group has introduced the concept of "Green Hotel" in Gudou Hot Spring Resort whereby guest room amenities are not refilled on a daily basis unless otherwise requested by guests. A paperless room check-in and check-out system has been implemented whereby room reservation information can be view on computer screens instead of paper. The Group has also put in place internal guidelines regarding paper conservation. Pursuant to these guidelines, the use of paper by different departments of the Group will be accounted for and monitored, and paper-saving measures such as double-sided printing, using smaller sheets for sundry uses, and paperless internal correspondences, etc. are also adopted.

Reducing the amount of wastes being sent to the landfill forms an important part of the Group's environmental policies. The Group promotes the "3R" Program which aims at minimising, to the extent practicable, the amount of wastes produced during the course of the Group's business operations. The term "3R" represents:

- (a) Reduction – Gudou Hot Spring Resort has been implementing waste minimisation initiatives including wet amenities, soap, paper and glass bottles. The guest room amenities will only be replenished upon request by guests.
- (b) Reuse – reusing wastes generated and returning unused materials such as plastic containers and festive decoration.
- (c) Recycling – converting waste materials into usable materials or extracting useful substances from them, such as recycling paper and plastic.

During the Period, 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 had not experienced any material environmental incidents arising from its operations. During the Period, no material administrative sanctions or penalties were imposed upon the Group for the violation of environmental laws or regulations which had an adverse impact on its operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GROUP POLICIES RELATING TO CORPORATE SOCIAL RESPONSIBILITY PRACTICES

Employees are the foundation of the Group's success and development. The Group is committed to ensuring the health, safety and general welfare of its employees at work. In addition, the Group provides various job-related seminars, workshops and training courses for the employees' continuous professional development. Further, the Group has also adopted a number of social responsibility practices for the support of the community and upholding the Group's business integrity.

Employment and Labour Practices

Health and Safety

The Group is committed to providing a safe working environment to its employees. The Group has a safety management team comprising 12 personnel and is responsible for overseeing the safety of our employees during the overall project development process. To maintain a safe working environment and minimise workplace injuries, the Group has established internal policies on safety management whereby different team is assigned different safety compliance responsibilities.

The below sets out a few examples of the practices adopted by the Group in compliance with the applicable local laws and regulations in relation to workplace safety:

- Ensuring the Group's construction contractors maintain accident insurance for the workers
- Engaging independent construction supervision company to monitor safety measures throughout the construction process who will submit inspection reports to the Group regularly
- Employing certified contractors for regular inspection of fire safety equipment in Gudou Hot Spring Resort and office premises
- Providing health checks to staff members as appropriate prior to commencement of employment
- Providing safety equipment such as fire extinguishers at the workplace
- Installing surveillance cameras at the main entrances, reception halls and front desks of various sections of Gudou Hot Spring Resort, as well as certain spots of the public area within Gudou Hot Spring Resort
- Employing security guards guarding at various entrances and carrying out 24-hour patrol
- Prohibiting smoking at the workplace
- Providing safety training to staff members and practising from time to time emergency responses in the case of fire or other hazards
- Regular cleaning of the water supply filters and daily garbage removal

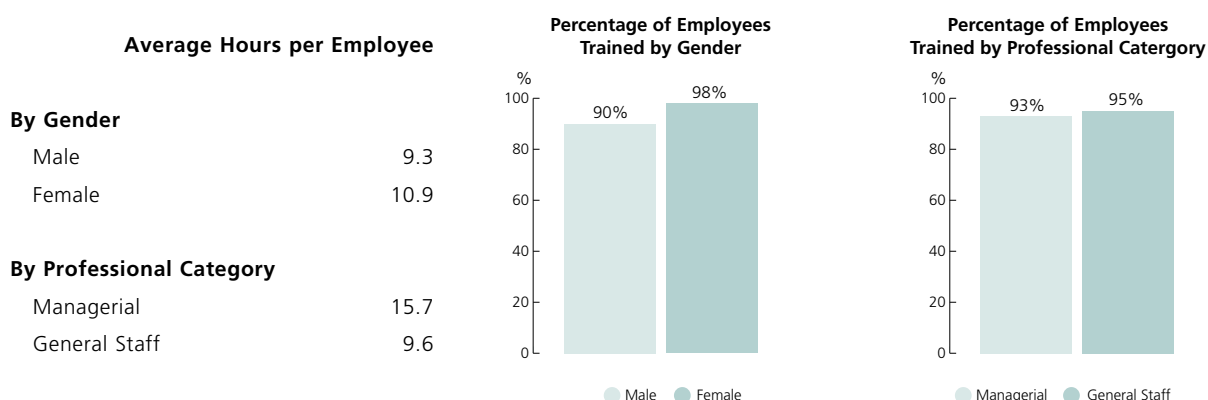
During the Period, no material workplace injury has been recorded at Gudou Hot Spring Resort.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Vocational Training and Development

Considering its employees to be indispensable to the Group's business achievements, apart from safety-related training as mentioned above, the Group also provides both internal and external training programs to its employees regularly with a view to upholding our "Gudou" brand image and enhancing their work quality and personal development. All new hotel staff are required to attend a three-day hospitality pre-job training to equip them with necessary knowledge about the brand "Gudou" and prerequisite skills in serving guests. Internal training programs are held on a monthly basis to refresh memories and skills of its staff.

During the Period, the Group has provided/procured approximately 281 hours of job-related training on the above topics to its staff.



The Group also introduces a mentorship program whereby senior staff members will supervise new employees, and provide on-job training and orientation to them to facilitate smooth integration into the Group's operation process.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employment and Labour standards

The Company strives to be a responsible employer and the Group is committed to implementing good employment practices, and advocates ethics and human rights at the workplace.

(a) Practices on recruitment process

The Group is an equal opportunity employer and recruits employees from the open market. Its employment policy is based on individual merits, suitability to the relevant job requirements, and fairness. The Group prohibits discrimination against potential candidates in the recruitment process on the account of their race, colour, religion, sex and gender identity/ sexual orientation, age, marital and parental status, and/or pregnancy or medical conditions.

The Group only hires legitimate employees. The Group does not hire any persons who do not meet the minimum working age as specified under applicable laws and regulations. During the recruitment process, candidates must submit photocopies of identity cards and present originals for verification purposes. During the Period, all employees of the Group are aged 18 or above. The following diagrams illustrate the Group's staff composition as at 31 December 2016:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(b) *Practices on remuneration and promotion*

The Group offers competitive salary in order to attract talents. The remuneration of each employee will be determined with reference to a number of factors including educational background, experience, job duties, professional skills and technical capabilities, as well as salary level for similar job positions in the industry. The Company has also adopted upon Listing a share option scheme under which employees of the Group are, based on management's evaluation of their individual performance, eligible to be granted share options as incentives. The Group adopts an open-door communication policy and carries out annual review with its employees on their performance during the Period, during which process each employee is given equal opportunity for promotion. The Group's employees are provided with a clear career path with opportunities for additional responsibilities and promotions.

(c) *Practices on working hours and general welfare*

The resting time of the Group's employees is well respected and the employees are also entitled paid holidays pursuant to statutory requirements or otherwise under their respective employment contracts. There is a computerised attendance registration system in place to continuously monitor the working hours of the employees. During working hours, the employees' personal movements are not restricted in any way. By reviewing the working hours of the employees, the Group strives to ensure that no forced labour is being used in the Group's business operations. The Group also adopts a no-violence policy towards sexual harassment at the workplace to protect its employees from unsolicited sexual advances.

Besides, the Group also makes statutory pension scheme contributions for the benefit of employees in accordance with the relevant legal requirements in Hong Kong and the PRC, including the mandatory provident fund contributions in Hong Kong and social insurance payments in the PRC.

To enhance overall morale of its employees, the Group also organises company events such as New Year Party, Christmas Party, Birthday Parties, Sports Days, etc. to allow the staff members to gather outside of work for bonding and team-building.

The Group believes, to the best of the Directors' knowledge and belief, that during the Period, it is generally in compliance with local labour law regarding compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, vacation, minimum wage requirements, and safe working environment. In addition, it has not received any complaint or notification from governmental authorities for contravention of any of the employment practices referred to above.

Social Responsibility Operational Practices

Supply Chain Management

The major suppliers of the Group mainly consist of construction companies and suppliers for our F&B services and other daily utilities. For our tourism property development projects, the Group engages construction companies as our contractors to carry out the construction work and procure the necessary construction materials. We purchase the food ingredients for our F&B outlets on an "as-needed" basis. All our suppliers are located in the PRC.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To maintain and ensure the quality of the Group's services, its supply chain management policy is to use strict review criteria for selection of suppliers. The suppliers must hold all necessary licences and qualifications. The Group selects only those suppliers on an approved list who have met the Group's quality requirements and have a satisfactory record of quality and on-time delivery. As at 31 December 2016, there were 118 suppliers under such approved list.

The Group also practises ethical procurement and targets to source raw materials from socially responsible suppliers. To achieve this, all personnel with supply chain management responsibilities are trained to ensure, to the extent practicable, that selected suppliers are legally compliant in respect of services and products provided to the Group, especially with respect to compliance with laws against slavery and human trafficking, and other employment- and environment-related laws. Conformity by suppliers with the relevant industrial standards and ethical business norms in their supply of services and products to the Group is one of the supplier selection criteria that the Group takes into account. Suppliers' fulfilment of the environment, health and safety requirements of the Group are relevant factors which will be taken into account by the Group in its supplier selection process.

The Group also reviews suppliers' environmental and social responsibility-related practices annually through, for example, site inspections and interviews. The Group's management will review the procurement process and may source materials/products from alternative suppliers when a supplier has been identified by the Group to have deficient environmental and social responsibility practices and has not made any improvement upon request.

Product Responsibility

The Group places high priority on providing guests with quality services at Gudou Hot Spring Resort and quality tourism properties. The Group has established a quality control team which comprises 12 personnel and is led by Mr. He Yingquan, the deputy general manager of our hot spring resort and hotel operations. The Group follows a set of stringent quality control measures and procedures to prevent risks in relation to our hygiene and services within the amenities of our Gudou Hot Spring Resort. With respect to our 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 has also devised a hotel management manual and a property development manual which sets out the stringent policies, procedures and systems in operating the business. For example, the hotel management manual covers customer registration and clientele management, prepaid VIP service management and complaints handling procedures whereas the property management manual covers property development and sales procedures. The Group requires employees and contractors to strictly adhere to these manuals when providing services or constructing tourism properties so that the quality of the Group's services and products is consistently maintained. In the event that the Group receives complaints from guests, these will be handled by the hotel staff as and when needed. Complaints of material importance will be discussed in the weekly meeting of hotel management personnel. During the Period, no complaints of material importance has been received in respect of the services and products provided by the Group.

Our brand "Gudou" is well known by the public. Given the importance of this brand to the business, the Group has already registered the trademark of our principal brand name "Gudou" in the PRC and in Hong Kong. In addition, the Group has four trademarks registered in the PRC, one trademark registered in Hong Kong, and two domain names which are material to the business, namely gudouhotspring.com and gudouholdings.com for which the Group is the registered proprietor.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group considers sales and marketing to be a significant component in our business operations. Its marketing efforts included advertising through website, mobile applications, media, printed materials and outdoor signage. Some of these marketing activities are collaborated with travel agencies. In order to enhance our attractiveness, the Group has also launched various marketing events in our Gudou Hot Spring Resort and participated in different exhibitions in the PRC and Macau Special Administrative Region of the PRC.

To ensure that personal information can be effectively protected, the Group has developed a policy which requires employees to comply with confidentiality provisions and ensure that personal data of customers are only handled by employees on a “as needed” basis.

The Group believes, to the best of the Directors’ knowledge and belief, that during the Period, it is generally in compliance with relevant laws and regulations that have a significant impact on the Company relating to health and safety, advertising, labelling and privacy matters.

Anti-corruption Practices

To ensure integrity and fair competition in our operations and to uphold our core value of anti-corruption, the Group has adopted and circulated internal guidelines which strictly prohibits bribery, extortion, fraud, money laundering and other acts such as gambling and personal loans with persons having business relationships with the Group, misappropriation of the Group’s assets, inappropriate charitable donation or sponsorship, unlawful solicitation of business or favourable treatment, provision or acceptance of “kickbacks” or unreasonable gifts, entertainments or other improper benefits etc. The Group’s employees also need to declare their respective interest in the Group’s business partners, suppliers, contractors and advisers that may conflict with the Group’s business interests. In addition, the Group has established an internal reporting system and channels for whistleblowing under which employees are encouraged to report potential fraud, illegal, inappropriate or suspicious issue promptly upon them being aware of it to the management with a view to preventing non-compliance incidents. These internal guidelines and procedures will be provided to employees when they join the Group and will be covered in the training provided to new joiners.

Employees are also required to comply strictly with applicable laws (including the Prevention of Bribery Ordinance in Hong Kong and the PRC Criminal Law) relating to the above acts. It is also a term under the Group’s standard employment contract that legal non-compliance will constitute a ground of termination of employment. The Group also expects its suppliers and business partners to similarly abide by the relevant local anti-corruption laws.

During the Period, the Group has not received any complaint or notification from governmental authorities regarding non-compliance of the Group or its employees with anti-corruption laws referred to above.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Community Participation

As a responsible corporate citizen, the Group believes that community support is important to the Group's long term success and strives to engage the community to understand the needs of the communities surrounding Gudou Hot Spring Resort.

In respect of tourism property development business, the Group takes into the surrounding cultural relic and plantation in its operation. Before any construction work commences, the Group will conduct inspection and formulate plans to ensure that afforestation ratio as requested by the relevant government authorities at the time of grant of the use land right can be achieved. Various kinds of measures are adopted to prevent soil erosion and restore native ecosystems such as plantation of trees and utilisation of wire mesh slope stabilisation.

The Group commits to connecting Gudou Hot Spring Resort with the community. Through an established and comprehensive feedback system, guests of Gudou Hot Spring Resort are able to communicate with the Group in numerous ways including hotline, social media page or feedback form. The Group has specifically assigned personnel to follow up each case and has taken appropriate action in accordance with established policies and procedures.

The Group also offers financial support to registered charitable organisations and encourages employees in volunteering to help the underprivileged and deserving members in its community. During the Period, the Group donated HK\$314,000 in total to a number of registered charitable organisations such as The Community Chest of Hong Kong.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

TO THE SHAREHOLDERS OF GUDOU HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Gudou Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 63 to 138, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

How our audit addressed the Key Audit Matter

Valuation for investment properties

Refer to note 2.6, note 3(d) and note 17 to the consolidated financial statements.

The Group owns investment properties in the People's Republic of China (the "PRC"). The carrying amount of investment properties was RMB558,280,000 as at 31 December 2016. For the year ended 31 December 2016, a revaluation gain of RMB23,660,000 relating to the investment properties was recognised in the consolidated statement of comprehensive income.

Management engaged an independent professional qualified valuer to perform valuations of the investment properties. The valuation approach adopted by the valuer was the sales comparison approach, with reference to the sales prices per square meter of comparable properties and adjusted for differences in key attributes such as location and size.

The significance of the amount and the judgements involved in the valuation exercise warrant specific audit focus in this area.

We assessed the competence, capabilities and objectivity of the valuer by verifying their qualification, discussing the scope of their work and examining the relationship with the Group.

We involved our internal valuation expert to assess the appropriateness of the valuation methodology adopted by the valuer.

We also involved our internal valuation expert to assess the reasonableness of the key assumptions and inputs used by the valuer in the valuation by performing market research on comparable market transactions.

We concluded that the assumptions used in the valuations were supportable in light of available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is CHAN Kam Chiu, Raymond.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 21 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Revenue	6	185,052	202,153
Cost of sales	11	(120,727)	(107,890)
Gross profit		64,325	94,263
Other income	7	1,254	387
Fair value gains on investment properties	17	23,660	21,343
Selling expenses	11	(25,702)	(28,768)
Administrative expenses	11	(56,545)	(41,082)
Profit from operations		6,992	46,143
Finance costs	9	(41,140)	(46,442)
Loss before tax		(34,148)	(299)
Income tax expenses	10	(12,499)	(15,193)
Loss for the year		(46,647)	(15,492)
Other comprehensive loss for the year, net of tax			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences		(14,748)	(9,151)
Total comprehensive loss for the year		(61,395)	(24,643)
Loss per share	14	(0.529)	(0.212)
Basic and diluted (RMB cents)			

The notes on pages 69 to 138 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	15	261,674	197,667
Prepaid land lease payments	16	7,805	8,131
Investment properties	17	558,280	574,610
Deposits and prepayments	22	13,430	26,423
Deferred tax assets	33	6,581	6,338
		<u>847,770</u>	<u>813,169</u>
Current assets			
Properties held for sale	19	80,042	36,923
Inventories	20	3,332	3,261
Accounts receivable	21	26,244	42,567
Prepaid land lease payments	16	326	326
Prepayments, deposits and other receivables	22	28,444	25,611
Due from related party	23	—	—
Due from related companies	24	—	—
Restricted bank deposits	25	91,846	54,489
Bank and cash balances	26	66,926	32,599
		<u>297,160</u>	<u>195,776</u>
Current liabilities			
Accounts payable	27	54,876	26,699
Proceeds received from pre-sale of properties	28	43,429	5,406
Accruals and other payables	29	57,423	59,488
Borrowings	30	152,415	106,834
Loans from shareholders	31	—	59,198
Puttable shares	32	—	106,559
Current tax liabilities		16,957	12,971
		<u>325,100</u>	<u>377,155</u>
Net current liabilities		<u>(27,940)</u>	<u>(181,379)</u>
Total assets less current liabilities		<u>819,830</u>	<u>631,790</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Borrowings	30	312,556	312,992
Deferred tax liabilities	33	148,543	143,934
Deferred income	34	9,458	—
		<u>470,557</u>	<u>456,926</u>
NET ASSETS		<u>349,273</u>	<u>174,864</u>
Capital and reserves			
Share capital	35	8,669	301
Reserves	36	340,604	174,563
TOTAL EQUITY		<u>349,273</u>	<u>174,864</u>

The notes on pages 69 to 138 are an integral part of these consolidated financial statements.

The financial statements on pages 63 to 138 were approved by the Board of Directors on 21 March 2017 and were signed on its behalf

.....
HON Chi Ming, Director

.....
HUANG Zhanxiong, Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital RMB'000	Share premium RMB'000	Foreign currency translation reserve RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
As at 1 January 2015	301	—	19,242	(277)	(58,659)	238,900	199,507
Comprehensive loss							
Loss for the year	—	—	—	—	—	(15,492)	(15,492)
Other comprehensive loss							
Currency translation differences	—	—	(9,151)	—	—	—	(9,151)
Total comprehensive loss for the year	—	—	(9,151)	—	—	(15,492)	(24,643)
As at 31 December 2015	<u>301</u>	<u>—</u>	<u>10,091</u>	<u>(277)</u>	<u>(58,659)</u>	<u>223,408</u>	<u>174,864</u>
As at 1 January 2016	301	—	10,091	(277)	(58,659)	223,408	174,864
Comprehensive loss							
Loss for the year	—	—	—	—	—	(46,647)	(46,647)
Other comprehensive loss							
Currency translation differences	—	—	(14,748)	—	—	—	(14,748)
Total comprehensive loss for the year	—	—	(14,748)	—	—	(46,647)	(61,395)
Transactions with owners							
Capitalisation issue (Note 35(a))	6,325	(6,325)	—	—	—	—	—
Issuance of shares upon initial public offering (Note 35(b))	2,043	120,542	—	—	—	—	122,585
Share issuance costs	—	(14,968)	—	—	—	—	(14,968)
Lapse of puttable options (Note 32)	—	—	—	—	128,187	—	128,187
Total transactions with owners	<u>8,368</u>	<u>99,249</u>	<u>—</u>	<u>—</u>	<u>128,187</u>	<u>—</u>	<u>235,804</u>
As at 31 December 2016	<u>8,669</u>	<u>99,249</u>	<u>(4,657)</u>	<u>(277)</u>	<u>69,528</u>	<u>176,761</u>	<u>349,273</u>

The notes on pages 69 to 138 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(34,148)	(299)
Adjustments for:		
Interest income	(1,004)	(285)
Fair value gains on investment properties	(23,660)	(21,343)
Amortisation of prepaid land lease payments	326	326
Amortisation on prepayment for renovation for properties held for sales	13,404	—
Depreciation on property, plant and equipment	19,828	15,680
Finance costs	41,140	46,442
Loss on disposal of property, plant and equipment	15	38
Loss on disposal of a subsidiary (Note 37(a))	—	16
	<hr/>	<hr/>
Operating profit before working capital changes	15,901	40,575
(Increase)/decrease in properties held for sale	(26,053)	23,353
Decrease in prepaid land lease payments	—	224
(Increase)/decrease in inventories	(71)	313
Decrease/(increase) in accounts receivable	16,323	(5,684)
Increase in prepayments, deposits and other receivables	(3,244)	(39,102)
Increase/(decrease) in accounts payable	28,177	(24,581)
Increase in proceeds received from pre-sale of properties	38,023	4,668
Increase in accruals and other payables	7,393	3,538
	<hr/>	<hr/>
Cash generated from operations	76,449	3,304
Interest paid and capitalised in properties held for sale	(980)	(1,057)
Income taxes paid	(4,147)	(5,171)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	71,322	(2,924)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in restricted bank deposits	(37,357)	(39,594)
Interest received	1,004	285
Interest paid and capitalised in investment properties and property, plant and equipment	(3,095)	(1,447)
Deposit of purchase of property, plant and equipment	—	(3,500)
Purchase of property, plant and equipment	(60,727)	(47,710)
Net proceeds from disposal of a subsidiary (Note 37(a))	—	359
	<hr/>	<hr/>
Net cash used in investing activities	(100,175)	(91,607)
	<hr/>	<hr/>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(15,759)	(20,912)
Decrease in other receivables	—	1,090
Decrease in amounts due from related companies	—	23,305
Bank and other loans raised	273,064	425,073
Repayment of bank and other loans	(230,899)	(103,906)
Payment for arrangement fee attributable to bank loans raised	—	(6,986)
Repayment of trust financing arrangement	—	(193,725)
Increase in amount due from the controlling shareholder	—	1,874
Repayment of loans from shareholders	(66,655)	—
Decrease in amount due from related parties	—	605
Decrease in amount due to related parties	—	(17,797)
Proceeds from issue of IPO shares	122,585	—
Share issuance costs	(14,968)	—
	<hr/>	<hr/>
Net cash generated from financing activities	67,368	108,621
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	38,515	14,090
	<hr/>	<hr/>
Effect of foreign exchange rate changes	(4,188)	570
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	32,599	17,939
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	66,926	32,599
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	66,926	32,599
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 69 to 138 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

The Company was incorporated on 10 January 2014 in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands. The address of its principal place of business is Gudou Hot Spring Resort Complex, Yamen Town, Xinhui, Jiangmen, Guangdong Province, the PRC (中國廣東省江門市新會區崖門鎮古兜溫泉綜合度假村). The Company's shares are listed on the GEM of the Stock Exchange of Hong Kong Limited (the "Hong Kong 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.1.1 Going Concern

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.2 Changes in accounting policy and disclosures

(a) Adoption of new and amended standards

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

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

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

(b) New and amended standards not yet adopted

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change in other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation *(continued)*

(a) **Business combinations** *(continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) **Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) **Disposal of subsidiaries**

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) **Separate financial statements**

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.4 Foreign Currency Translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign Currency Translation (continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.5 Property, Plant and Equipment

Buildings comprise mainly hotels and offices. Property, plant and equipment, other than construction in progress, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	5%
Furniture, fixtures and equipment	20%
Leasehold improvements	5% – 20%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Property, Plant and Equipment *(continued)*

Construction in progress represents buildings under construction, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Construction in progress represents factory buildings, office premises and workers' dormitories and related infrastructure projects under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.6 Investment Properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. These include land held for a currently undetermined use and property that is being constructed or developed for future use as investment properties. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

2.7 Leases

The Group as lessee

Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Prepaid land lease payments are stated at cost and subsequently amortised on the straight-line basis over the remaining term of the lease.

The Group as lessor

(a) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Leases *(continued)*

The Group as lessor *(continued)*

(b) Sale and leaseback transactions

A sale and leaseback transaction involves the sale of properties and leasing of the same asset back for hotel operation. Sale and leaseback arrangements that result in substantially all of the risks and rewards of ownership of assets being transferred to the lessor are accounted for as operating leases. Any excess of sales proceeds over the carrying amount is recognised in profit or loss as gain on disposal, if the sales prices and lease back arrangements for these transactions are determined based on the prevailing market prices. Payments made under operating leases are charged to profit or loss on a straight-line basis over the lease periods.

If the sale price is below fair value then the gain or loss is recognised immediately. However, if a loss is compensated for by future rentals at a below-market price or nil price, then the loss is deferred and amortised over the period that the property is expected to be used.

If the payments made under the operating lease are given up by the lessor in turn for the renovation for the properties, the deemed rental cost is included in prepayments and amortised over the period that the property is expected to be used.

2.8 Properties Held for Sale under Development

Properties held for sale under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to completed properties held for sale at the then carrying amount.

Properties held for sale under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.9 Completed Properties Held for Sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Costs of properties include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Recognition and Derecognition of Financial Instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Accounts and other Receivables

Accounts receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of accounts and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.13 Cash and Cash Equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.14 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Financial Liabilities other than Trade Payables

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(a) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(b) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight-line basis over the terms of the guarantee contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Financial Liabilities other than Trade Payables *(continued)*

(c) Puttable shares

A contract that contains an obligation for the Group to repurchase or redeem its own equity instruments for cash or another financial asset (i.e. puttable shares) upon the subscriber of the puttable shares exercising a share put option is classified as a financial liability. The financial liabilities are initially measured at the present value of the redemption amount and subsequently measured at amortised cost using the effective interest method.

The potential cash payments related to put options issued by the Group are accounted for as financial liabilities when such options may only be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of shares. The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount within borrowings with a corresponding charge directly to cash and cash equivalents or equity when it is shareholder's transaction with controlling shareholder who received cash.

The Group recognises the cost of puttable shares, determined as the differences between the fair value of the financial liability and any consideration received, as equity. Such financial liability is subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a financing cost. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

2.17 Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.18 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and is shown net of value-added tax, returns and discount. The Group recognises revenue when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Revenue is recognised as follows:

(i) Property sales

Revenue from the sales of properties is recognised when the risks and rewards of ownership have been transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under proceeds received from pre-sale of properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Revenue Recognition *(continued)*

(ii) Room revenue

Room revenue received from room rental and other ancillary services is recognised when the services are rendered.

(iii) Admission income

Revenue from resort admission is recognised when admission tickets are sold and redeemed by the customer.

(iv) Catering income

Catering income received from food and beverages sales is recognised when the services are rendered.

(v) Rental income

Rental income is recognised on a straight-line basis over the lease term.

(vi) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(vii) Massage service income

Massage service income is recognised when the massage services are rendered.

(viii) Conference fee income

Conference fee income received from conference room rental and other ancillary services is recognised when the services are rendered.

2.19 Employee Benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Employee Benefits *(continued)*

(ii) Pension obligations (continued)

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.20 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.21 Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Taxation *(continued)*

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.23 PRC Land Appreciation Tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax expense. LAT paid is a deductible expense for PRC enterprise income tax ("PRC EIT") purposes.

2.24 Impairment of Non-financial Assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.25 Impairment of Financial Assets

At the end of each reporting period, the Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the group of financial assets have been affected.

For accounts receivable that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for accounts receivable, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for accounts receivable) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

2.26 Provisions and Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

2.27 Events after the Reporting Period

Events after the reporting period that provide additional information about the Group's position at the end of reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful Lives of Property, Plant and Equipment

The annual depreciation charges are sensitive to the estimated economic useful lives the Group allocates to each type of property, plant and equipment. Management performs annual reviews to assess the appropriateness of their estimated economic useful lives. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned. The useful lives are estimated at the time the purchases are made after considering the future, business developments and the Group's strategies. Should there be unexpected adverse changes in the circumstances or events, the Group assesses the need to shorten the useful lives and/or make impairment provisions. Indications of these unexpected adverse changes include declines in projected operating results, negative industry or economic trends and rapid advancement in technology.

(b) Impairment of Property, Plant and Equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs of disposal. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing (i) whether any events including changes in government policies has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of the operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(c) Current and Deferred Income Tax (Including LAT)

The Group is subject to income taxes mainly in the PRC. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimates is changed.

The Group is subject to LAT in the PRC. However, the implementation and settlement of LAT has not been finalised with local tax authorities. Accordingly, judgement is required in determining the amount of LAT. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded and these differences will impact the income tax expense and deferred income tax provisions in the periods in which such taxes have been finalised with local tax authorities.

(d) Fair Values of Investment Properties

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Where the actual result is different from the original estimate, such difference will impact the carrying value of the investment properties and fair value gains on investment properties in the year in which such estimate has been changed.

(e) Impairment Loss for Bad and Doubtful Debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the accounts and other receivables, including the current creditworthiness, the past collection history, the length of overdue period and collateral (if any) of each debtor or counterparty. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the accounts and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(f) Recognition and Allocation of Construction Cost on Properties for Sale under Development

Development costs of properties are recorded as properties for sale under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated area of properties sold as a percentage of the total estimated saleable areas of the entire project.

When the final settlement of costs and the related cost allocation is different from initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future periods.

(g) Net Realisable Value of Properties for Sale under Development

The Group assesses the carrying amounts of properties for sale under development according to their net realisable value based on the realisability of these properties. Net realisable value for properties for sale under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion. Given the volatility of the PRC property market and the unique nature of individual properties for sale under development, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the reporting date. Write down to net realisable value is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgment and estimates.

4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign Currency Risk

Foreign currency risk arises on financial instruments of the relevant group companies in currencies other than their own functional currencies. The primary economic environment in which the Group operates is in the PRC and the functional currency of those group companies is RMB. Certain cash and cash equivalents and borrowings are denominated in Hong Kong Dollars ("HK\$") and held by the group companies which function currency is HK\$. Therefore, the management are of the opinion that the foreign currency risk exposure of the Group is insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit Risk

The carrying amounts of accounts receivable, deposits and other receivables, cash at banks and restricted bank deposits represent the Group's maximum exposure to credit risk in relation to financial assets which are stated as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Accounts receivable (Note 21)	26,244	42,567
Deposits and other receivables (Note 22)	7,944	4,151
Cash at banks (Note 26)	65,714	31,860
Restricted bank deposits (Note 25)	91,846	54,489
	<hr/>	<hr/>
Maximum exposure to credit risk	191,748	133,067
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2015 and 2016, all the bank balances and deposits were held with a reputable banks in Hong Kong and the PRC. The credit quality of cash and cash equivalents has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

In respect of accounts receivable, the Group has policies in place to ensure that sales are made to travel agencies and properties purchasers with an appropriate credit history. In order to minimise credit risk, the directors and management persons of sales department are responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual debtor regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced. As at 31 December 2016, the five largest accounts receivable represent approximately 62% (2015: 62%) of the total accounts receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity Risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's financial liabilities is as follows:

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>
As at 31 December 2015				
Accounts payable	26,699	—	—	—
Accruals and other payables	24,732	—	—	—
Borrowings and interest payments <i>(Note)</i>	124,717	57,404	189,040	154,790
Loans from shareholders and interest payments	59,198	—	—	—
Puttable shares	119,795	—	—	—
As at 31 December 2016				
Accounts payable	54,876	—	—	—
Accruals and other payables	30,111	—	—	—
Borrowings and interest payments <i>(Note)</i>	172,856	91,317	168,715	114,302

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity Risk *(continued)*

Note:

As at 31 December 2016, there is no bank borrowing with repayment on demand clause. As at 31 December 2015, bank borrowings of RMB2,924,000 with repayment on demand clause were included under the maturity of between 2 and 5 years.

(d) Interest Rate Risk

The Group's exposure to interest rate risk arises from its bank deposits and borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

As at 31 December 2016, if interest rates at that date had been 10 basis points lower with all other variables held constant, consolidated loss after tax for the year would have been RMB 2,309,000 lower (2015: RMB2,529,000 lower), arising mainly as a result of decrease in interest expense on borrowings. If interest rates had been 10 basis points higher, with all other variables held constant, consolidated loss after tax for the year would have been RMB2,309,000 higher (2015: RMB2,529,000 higher), arising mainly as a result of increase in interest expense on borrowings.

(e) Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. FINANCIAL RISK MANAGEMENT (continued)

(e) Capital Risk Management (continued)

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet). Total capital is calculated as 'equity' as shown in the consolidated balance sheet.

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Total debt		
Interest-bearing bank loans and loans from shareholders	464,971	585,583
Total capital	349,273	174,864
Gearing ratio	1.3	3.3

(f) Categories of Financial Instruments

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Loans and receivables		
Assets as per statement of financial position		
Accounts receivable	26,244	42,567
Other receivables	1,841	2,544
Restricted bank deposits	91,846	54,489
Bank and cash balances	66,926	32,599
	186,857	132,199
Financial liabilities measured at amortised cost		
Liabilities as per statement of financial position		
Accounts payable	54,876	26,699
Other payables	18,136	25,092
Borrowings	464,971	419,826
Loans from shareholders	—	59,198
Puttable shares	—	106,559
	537,983	637,374

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. FINANCIAL RISK MANAGEMENT *(continued)*

(g) Fair Values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

5. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categories into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of Level in Fair Value Hierarchy at Year End:

31 December 2015

Description	Fair value measurement using:			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Recurring fair value measurements:				
Investment properties				
Land — held in the PRC	—	—	574,610	574,610
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

31 December 2016

Description	Fair value measurement using:			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Recurring fair value measurements:				
Investment properties				
Land — held in the PRC	—	—	558,280	558,280
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. FAIR VALUE MEASUREMENT *(continued)*

(b) Reconciliation of Assets Measured at Fair Value Based on Level 3:

The movements in the investment properties under level 3 fair value measurements during the year are presented in Note 17 to the consolidated financial statements. Fair value adjustments on investment properties are recognised in the line item “fair value gains on investment properties” on the face of the consolidated statement of comprehensive income. All the gains recognised in profit or loss for the year arose from the investment properties held at the end of the reporting period.

(c) Disclosure of Valuation Process Used by the Group and Valuation Techniques and Inputs Used in fair Value Measurements at Year End:

The management of the Group is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. Discussions of valuation processes and results are held between the management at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

As at 31 December 2015

Level 3 fair value measurements

Description	Valuation technique	Significant unobservable inputs	Range <i>RMB'000/</i> <i>square</i> <i>metre</i>	Effect on fair value for increase of inputs	Fair value <i>RMB'000</i>
Investment properties, land — held in PRC	Sales comparison approach	Price per square metre taking into account of time, location, lease term and usage	2.4 – 2.5	Increase	574,610

As at 31 December 2016

Level 3 fair value measurements

Description	Valuation technique	Significant unobservable inputs	Range <i>RMB'000/</i> <i>square</i> <i>metre</i>	Effect on fair value for increase of inputs	Fair value <i>RMB'000</i>
Investment properties, land — held in PRC	Sales comparison approach	Price per square metre taking into account of time, location, lease term and usage	2.4 – 2.6	Increase	558,280

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. FAIR VALUE MEASUREMENT *(continued)*

(c) Disclosure of Valuation Process Used by the Group and Valuation Techniques and Inputs Used in fair Value Measurements at Year End: *(continued)*

All of the land held classified as investment properties located in the PRC have been valued on the basis that the properties will be sold with benefit of vacant possession as at the valuation date. The valuations were performed by LCH (Asia-Pacific) Surveyors Limited by using Sales Comparison Approach by reference to recent sale price of comparable land use right on a price per square metre basis, adjusted for a premium or a discount specific to the time and location of the Group's investment properties compared to the recent sales. Higher premium for higher quality land will result in a higher fair value measurement.

During the year, there were no changes in the valuation techniques used.

6. REVENUE

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

7. OTHER INCOME

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Interest income	1,004	285
Forfeited properties sales deposits	57	4
Loss on disposal of property, plant and equipment, net	(15)	(38)
Loss on disposal of a subsidiary (Note 37(a))	—	(16)
Other	208	152
	<u>1,254</u>	<u>387</u>

8. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company, which reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors of the Company consider the business from service perspectives and assess the performance of the Group which are organised into two main businesses:

Property development — Develop and sales of properties in the PRC

Hotel and resort operation — Operation of hotels and resort in the PRC

The executive directors of the Company assesses the performance of the operating segments based on their segment profit before income tax expense. Segment profits or losses do not include fair value gains on investment properties for undetermined use, finance costs, corporate income and expenses.

Based on the business nature, the executive directors of the Company consider the development of the five-star hotel and health regimen facilities either through self-use or lease, include under the hotel and resort operation segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

8. SEGMENT INFORMATION (continued)

(i) Information about Reportable Segment Profit or Loss, Assets and Liabilities:

	Hotels and resort operation RMB'000	Property development RMB'000	Total RMB'000
For the year ended 31 December 2015			
REVENUE			
Revenue from external customers	98,282	103,871	202,153
RESULTS			
Segment profit	10,377	47,762	58,139
Fair value gains on investment properties for undetermined use			11,801
Finance costs			(46,442)
Unallocated corporate expenses			(23,797)
Loss before tax			(299)
Income tax expenses			(15,193)
Loss for the year			(15,492)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

8. SEGMENT INFORMATION *(continued)*

(i) Information about Reportable Segment Profit or Loss, Assets and Liabilities: *(continued)*

	Hotels and resort operation RMB'000	Property development RMB'000	Total RMB'000
As at 31 December 2015			
ASSETS			
Segment assets	<u>470,720</u>	<u>77,107</u>	547,827
Property, plant and equipment for general administrative use			835
Investment properties for undetermined use			322,680
Construction in progress for main gate construction			36,000
Prepayments, deposits and other receivables for general administrative use			8,177
Deferred tax assets			6,338
Bank and cash balances			32,599
Restricted bank deposits			<u>54,489</u>
			<u>1,008,945</u>
As at 31 December 2015			
LIABILITIES			
Segment liabilities	<u>39,939</u>	<u>50,098</u>	90,037
Accruals and other payables for general administrative use			1,556
Borrowings			419,826
Loans from shareholders			59,198
Puttable shares			106,559
Current tax liabilities			12,971
Deferred tax liabilities			<u>143,934</u>
Consolidated total liabilities			<u>834,081</u>
OTHER INFORMATION			
Interest income	1	284	285
Depreciation and amortisation	15,830	176	16,006
Additions to segment non-current assets	<u>49,157</u>	<u>—</u>	<u>49,157</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

8. SEGMENT INFORMATION *(continued)*

(i) Information about Reportable Segment Profit or Loss, Assets and Liabilities: *(continued)*

	Hotels and resort operation <i>RMB'000</i>	Property development <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2016			
REVENUE			
Revenue from external customers	<u>109,691</u>	<u>75,361</u>	<u>185,052</u>
RESULTS			
Segment profit	4,372	28,815	33,187
Fair value gains on investment properties for undetermined use			13,850
Finance costs			(41,140)
Unallocated corporate expenses			<u>(40,045)</u>
Loss before tax			(34,148)
Income tax expenses			<u>(12,499)</u>
Loss for the year			<u>(46,647)</u>
As at 31 December 2016			
ASSETS			
Segment assets	<u>513,617</u>	<u>127,751</u>	641,368
Property, plant and equipment for general administrative use			626
Investment properties for undetermined use			336,530
Construction in progress for main gate construction			—
Prepayments, deposits and other receivables for general administrative use			1,053
Deferred tax assets			6,581
Bank and cash balances			66,926
Restricted bank deposits			<u>91,846</u>
Consolidated total assets			<u>1,144,930</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

8. SEGMENT INFORMATION *(continued)*

(i) Information about Reportable Segment Profit or Loss, Assets and Liabilities: *(continued)*

	Hotels and resort operation <i>RMB'000</i>	Property development <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2016			
LIABILITIES			
Segment liabilities	<u>53,734</u>	<u>108,849</u>	162,583
Accruals and other payables for general administrative use			2,603
Borrowings			464,971
Current tax liabilities			16,957
Deferred tax liabilities			<u>148,543</u>
Consolidated total liabilities			<u>795,657</u>
OTHER INFORMATION			
Interest income	877	127	1,004
Depreciation and amortisation	33,382	176	33,558
Additions to segment non-current assets	<u>83,651</u>	<u>—</u>	<u>83,651</u>

(ii) Geographical Information:

All the revenue and non-current assets are based in the PRC for the year ended 31 December 2016 (2015: Same).

(iii) Revenue from Major Customers:

The revenue from the Group's largest customer amounted to RMB17,017,000 or 9% (2015: RMB21,331,000 or 11%) of the Group's total turnover for the year ended 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

9. FINANCE COSTS

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Finance costs:		
— Bank borrowings interest expenses	23,909	23,843
— Bank borrowings early repayment charge	—	5,879
— Puttable shares interest expenses (Note 32)	13,849	11,893
— Loans from shareholders	7,457	7,331
	<u>45,215</u>	<u>48,946</u>
Amounts capitalised to properties held for sale	(980)	(1,057)
Amounts capitalised to investment properties and property, plant and equipment	<u>(3,095)</u>	<u>(1,447)</u>
Total finance costs	<u><u>41,140</u></u>	<u><u>46,442</u></u>

Borrowing costs on funds borrowed generally for construction in progress are capitalised at a rate of 6.72% (2015: 7.94%) per annum for the year ended 31 December 2016.

10. INCOME TAX EXPENSES

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

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Current tax		
Hong Kong profits tax	—	—
PRC enterprise income tax	1,840	4
Land appreciation tax	<u>6,293</u>	<u>9,180</u>
	<u>8,133</u>	<u>9,184</u>
Deferred tax (Note 33)	<u>4,366</u>	<u>6,009</u>
	<u><u>12,499</u></u>	<u><u>15,193</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

10. INCOME TAX EXPENSES (continued)

The revenue from property sales as described in Note 6 included sales of villas and apartments. LAT on sale of villas is levied on 6% of property sales in accordance with the authorised tax valuation method approved by respective local tax bureau. Under the applicable tax regulations, LAT is charged at progressive rate from 30% to 60% on the appreciation of land value which is calculated based on the proceeds of sales of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure. The basis of calculating the LAT on the sale of apartments has not yet determined by the local tax bureau. The management adopted the progressive rate from 30% to 60% according to their best estimation.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Loss before tax	(34,148)	(299)
Tax at the domestic income tax rate of 25%	(8,537)	(75)
Tax effect on LAT deductible for calculation of income tax purpose	(1,094)	(2,295)
Tax income not taxable	(190)	(69)
Tax effect of expenses that are not deductible for tax purposes	17,944	9,401
Tax effect of utilisation of previously unrecognised tax loss	—	(1,025)
Tax effect of unused tax losses not recognised	—	76
LAT	4,376	9,180
	12,499	15,193

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

11. COST OF SALES, SELLING EXPENSES AND ADMINISTRATIVE EXPENSES

The Group's cost of sales, selling expenses and administrative expenses are as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Auditor's remuneration		
— Audit services	867	75
Amortisation of prepaid land lease payment	326	326
Cost of properties sold	32,545	42,904
Cost of goods sold	9,497	8,129
Amortisation on prepayment for renovation for properties held for sales	13,404	—
Depreciation on property, plant and equipment	19,828	15,680
Employee benefit expenses (including directors' emoluments) (Note 12)	45,586	43,340
Listing expenses	20,329	8,768
Operating lease rental in respect of land and buildings	8,160	10,463
Utilities expenses	8,970	7,178
Advertising and promotion expenses	9,819	8,214
Sales tax	10,832	13,554
Repair and maintenance	2,635	2,396
Cleaning expenses	4,277	2,405
Entertainment and travelling expenses	1,604	1,439
Others	14,295	12,869
	<hr/>	<hr/>
Total cost of sales, selling expenses and administrative expenses	202,974	177,740
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Salaries, bonus and allowances	40,372	40,324
Pension costs — defined contribution plans	5,214	3,016
	<u>45,586</u>	<u>43,340</u>

(a) Pension Costs — Defined Contribution Plans

The Group has arranged for its Hong Kong employees to join certain Mandatory Provident Fund Schemes (the "MPF Schemes"), defined contribution schemes managed by independent trustees. Under the MPF Schemes, each of the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HK\$1,500 from 1 June 2014 onwards, and thereafter contributions are voluntary. The Group has no further obligations for post-retirement benefits beyond the contributions.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of those subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

The Group has no material obligation for post-retirement benefits beyond contributions to the above schemes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2016 include one director (2015: Two) whose emoluments are reflected in the analysis presented note 13. The emoluments payable to the remaining four (2015: Three) individuals during the year ended 31 December 2016 are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Salaries, bonus and allowances	2,849	1,251
Pension costs — defined contribution plans	63	38
	<u>2,912</u>	<u>1,289</u>

The emoluments of the remaining individuals fell within the following bands:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Emolument band (in HK\$)		
Nil to HK\$1,000,000	3	3
HK\$1,000,001 to HK\$1,500,000	—	—
HK\$1,500,001 to HK\$2,000,000	1	—
	<u>4</u>	<u>3</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

13. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

(i) The remuneration of every director and the chief executive is set out below:

Name	Salary RMB'000	Discretionary bonus RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Year ended 31 December 2016				
<i>Executive directors</i>				
Mr. Hon Chi Ming	346	11	25	382
Mr. Huang Zhanxiong	221	—	25	246
Ms. Zhen Yaman (Note (a))	15	—	—	15
<i>Non-executive directors</i>				
Mr. Hon Ka Fung	93	4	8	105
Mr. Hui Chin Tong, Godfrey	10	—	—	10
<i>Independent non-executive directors</i>				
Mr. Wu Sai Him (Note (b))	13	—	—	13
Mr. Chiu Chi Wing (Note (b))	12	—	—	12
Prof. Wang Dawu (Note (b))	10	—	—	10
	720	15	58	793
Year ended 31 December 2015				
<i>Executive directors</i>				
Mr. Hon Chi Ming	269	22	20	311
Mr. Huang Zhanxiong	192	—	20	212
<i>Non-executive directors</i>				
Mr. Hon Ka Fung	63	5	8	76
Mr. Hui Chin Tong, Godfrey	—	—	—	—
	524	27	48	599

Notes:

(a) Appointed on 19 May 2016

(b) Appointed on 18 November 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

13. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' and chief executive's emoluments (continued)

No director fees were paid to these directors in their capacity as directors of the Company or the subsidiaries and no emoluments were paid by the Company or the subsidiaries to the directors as an inducement to join the Company, or as compensation for loss of office during the year ended 31 December 2016 (2015: None).

No directors waived any emoluments during the year ended 31 December 2016 (2015: None).

(b) Information about Loans, Quasi-loans and Other Dealings in Favour of Directors, Controlled Bodies' Corporate by and Connected Entities with Such Directors

(i) The information about loans, quasi-loans and other dealings entered into by the company or subsidiary undertaking of the company, where applicable, in favour of directors is as follows:

Name of director	Outstanding amount		Maximum outstanding amount		Amount due but not been paid	Provision for doubtful debts made	Term	Interest rate	Security
	Total amount payable	at the beginning of the year	Outstanding amount at the end of the year	outstanding amount during the year					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
As at 31 December 2015									
Quasi-loans or credit transactions:									
Mr. Hon Chi Ming	—	1,874	—	1,874	—	—	Repayable on demand	Nil	Nil
As at 31 December 2016									
Quasi-loans or credit transactions:									
Mr. Hon Chi Ming	—	—	—	—	—	—	Not applicable	Nil	Nil

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

13. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(b) Information about Loans, Quasi-loans and Other Dealings in Favour of Directors, Controlled Bodies' Corporate by and Connected Entities with Such Directors (continued)

(ii) The information about loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company, where applicable, in favour of a controlled body corporate of Mr. Hon Chi Ming is as follows:

Name of borrower	Outstanding amount		Maximum outstanding		Amount due but not paid	Provision for doubtful debts made	Term	Interest rate	Security
	Total amount payable	at the beginning of the year	Outstanding amount at the end of the year	amount during the year					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
As at 31 December 2015									
Quasi-loans or credit transactions:									
Kaiping Gudou Investment and Development Company Limited (開平市古兜投資開發有限公司) (Note 24)	—	22,663	—	22,663	—	—	Repayable on demand	Nil	Nil
Kaiping Gudou Hotel Investment and Management Company Limited (開平市古兜酒店投資管理有限公司) (Note 24)	—	1,142	—	1,142	—	—	Repayable on demand	Nil	Nil

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

13. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(b) Information about Loans, Quasi-loans and Other Dealings in Favour of Directors, Controlled Bodies' Corporate by and Connected Entities with Such Directors (continued)

Name of borrower	Total amount payable	Outstanding amount at the beginning of the year	Outstanding amount at the end of the year	Maximum outstanding amount during the year	Amount due but not paid	Provision for doubtful debts made	Term	Interest rate	Security
		RMB'000	RMB'000	RMB'000					
As at 31 December 2016									
Quasi-loans or credit transactions:									
Kaiping Gudou Investment and Development Company Limited (開平市古兜投資開發有限公司) (Note 24)	—	—	—	—	—	—	Not applicable	Nil	Nil
Kaiping Gudou Hotel Investment and Management Company Limited (開平市古兜酒店投資管理有限公司) (Note 24)	—	—	—	—	—	—	Not applicable	Nil	Nil

There are no outstanding loans, quasi-loans or other dealings in favour of the directors, their controlled bodies' corporate and connected entities as at 31 December 2016 (2015: None).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

14. LOSS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2016	2015
Loss attributable to owners of the Company (RMB'000)	(46,647)	(15,492)
Weighted average number of ordinary shares in issue ('000) (Note)	88,103	73,243
Basic loss per share (RMB cents)	(0.529)	(0.212)

Note:

The weighted average number of ordinary Shares was calculated by deducting the weighted average of puttable shares and adjusted retrospectively for the capitalisation issue of 712,000,000 Shares which took place on 9 December 2016 (Note 35).

(b) Diluted

Company's puttable shares are contracts that require the Company to repurchase its own shares are reflected in the calculation of diluted earnings per share if the effect is dilutive. If these contracts are 'in the money' during the year (ie the settlement price is above the average market price for that year), the potential dilutive effect on earnings per share is calculated as follows:

- (i) it is assumed that at the beginning of the year sufficient ordinary shares to be issued (at the average market price during the year) to raise proceeds to satisfy the contract;
- (ii) it is assumed that the proceeds from the issue are used to satisfy the contract (i.e. to buy back ordinary shares); and
- (iii) the incremental ordinary shares (the difference between the number of ordinary shares assumed to be issued and the number of ordinary shares received from satisfying the contract) is included in the calculation of diluted earnings per share.

For the year ended 31 December 2016, the diluted loss per share was equal to the basic loss per share because the Company was in loss position (2015: Same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
As at 1 January 2015	149,788	25,683	80,709	6,325	10,857	273,362
Additions	—	1,092	5,857	989	40,414	48,352
Reclassification	—	—	713	—	(713)	—
Disposals	—	—	—	(747)	—	(747)
Disposal of a subsidiary	—	(33)	—	—	—	(33)
Exchange differences	—	4	33	92	—	129
As at 31 December 2015 and 1 January 2016	149,788	26,746	87,312	6,659	50,558	321,063
Additions	—	6,393	2,785	460	51,089	60,727
Transfer from investment properties	—	—	—	—	22,924	22,924
Reclassification	63,000	—	16,000	—	(79,000)	—
Disposals	—	(170)	—	—	—	(170)
Exchange differences	—	3	40	116	—	159
As at 31 December 2016	212,788	32,972	106,137	7,235	45,571	404,703
Accumulated depreciation						
As at 1 January 2015	63,751	21,479	18,135	4,983	—	108,348
Charge for the year	7,519	1,812	5,594	755	—	15,680
Disposals	—	—	—	(709)	—	(709)
Exchange differences	—	2	11	64	—	77
As at 31 December 2015 and 1 January 2016	71,270	23,293	23,740	5,093	—	123,396
Charge for the year	8,059	1,926	9,052	791	—	19,828
Disposals	—	(155)	—	—	—	(155)
Exchange differences	—	(4)	(6)	(30)	—	(40)
As at 31 December 2016	79,329	25,060	32,786	5,854	—	143,029
Carrying amount						
As at 31 December 2016	133,459	7,912	73,351	1,381	45,571	261,674
As at 31 December 2015	78,518	3,453	63,572	1,566	50,558	197,667

The Group's buildings are located in the PRC under long and medium term leases.

The carrying amount of Group's buildings amounting to RMB58,594,000 (2015: RMB59,746,000) were pledged as securities for the Group's borrowings at 31 December 2016 (Note 30).

Depreciation expense of RMB18,336,000 (2015: RMB14,207,000) for the year ended 31 December 2016 has been included in cost of sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

16. PREPAID LAND LEASE PAYMENTS

	As at 31 December	
	2016 RMB'000	2015 RMB'000
At beginning of year	8,457	9,007
Amortisation of prepaid land lease payments	(326)	(326)
Transfer to properties held for sale under development	—	(224)
	<hr/>	<hr/>
At end of year	8,131	8,457
Less: Current portion	(326)	(326)
	<hr/>	<hr/>
Non-current portion	7,805	8,131
	<hr/> <hr/>	<hr/> <hr/>

The Group's prepaid land lease payments are analysed as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
In the PRC:		
Long leases	2,357	2,448
Medium-term leases	5,774	6,009
	<hr/>	<hr/>
	8,131	8,457
	<hr/> <hr/>	<hr/> <hr/>

The carrying amount of prepaid land lease payments amounting to RMB6,997,000 (2015: RMB7,413,000) were pledged as securities for the Group's borrowings at 31 December 2016 (Note 30).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

17. INVESTMENT PROPERTIES

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Cost		
At beginning of year	574,610	552,462
Additions	—	805
Fair value gains to profit or loss	23,660	21,343
Transfer to property, plant and equipment	(22,924)	—
Transfer to properties held for sale	(17,066)	—
	<u>558,280</u>	<u>574,610</u>
At end of year	<u>558,280</u>	<u>574,610</u>

The Group's investment properties at their fair value are analysed as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
In the PRC:		
Medium-term leases	<u>558,280</u>	<u>574,610</u>

- (a) The Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through use. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties (Note 33).
- (b) The fair value of the Group's investment properties at 31 December 2016 were based on valuations carried out by LCH (Asia-Pacific) Surveyors Limited, an independent qualified professional valuer not connected with the Group (2015: Same). The revaluation gains or losses are included in "Fair value gains on investment properties" in profit or loss. The following table analyses the investment properties carried at fair value, by valuation method.
- (c) The fair value of Group's investment properties amounting to RMB310,280,000 (2015: RMB396,810,000) were pledged as security for the Group's borrowings at 31 December 2016 (Note 30).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

17. INVESTMENT PROPERTIES (continued)

Fair value measurements using significant unobservable inputs (Level 3):

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Recurring fair value measurements		
— Land held for undetermined use	336,530	322,680
— Land held for development of investment properties	221,750	251,930
	<u>558,280</u>	<u>574,610</u>

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Levels 1, 2 and 3 during the year.

	Land held for undetermined use RMB'000	Land held for development of investment properties RMB'000	Total RMB'000
As at 1 January 2015	310,640	241,822	552,462
Additions	239	566	805
Fair value gains	11,801	9,542	21,343
As at 31 December 2015	<u>322,680</u>	<u>251,930</u>	<u>574,610</u>
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Fair value gains on investment properties"	<u>11,801</u>	<u>9,542</u>	<u>21,343</u>
As at 1 January 2016	322,680	251,930	574,610
Fair value gains	13,850	9,810	23,660
Transfer to property, plant and equipment	—	(22,924)	(22,924)
Transfer to properties held for sale	—	(17,066)	(17,066)
As at 31 December 2016	<u>336,530</u>	<u>221,750</u>	<u>558,280</u>
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Fair value gains on investment properties"	<u>13,850</u>	<u>9,810</u>	<u>23,660</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

17. INVESTMENT PROPERTIES (continued)

Valuation Processes of the Group

The Group's investment properties were valued at 31 December 2016 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued (2015: Same). For all investment properties, their current use equates to the highest and best use.

The Group's finance department review the valuations performed by the independent valuers for financial reporting purposes. These valuation results are then reported to the Group's management for discussions and review in relation to the valuation processes and the reasonableness of valuation results. As at 31 December 2016, the fair values of the properties have been determined by LCH (Asia-Pacific) Surveyors Limited (2015: Same).

Valuation Techniques

For land held for undetermined use and land held for development of investment properties, the valuation was determined using the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

Information about Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

As at 31 December 2016

Description	Fair value RMB'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
Land held for undetermined use	336,530	Sales comparison approach	Price per sq.m.	RMB2,584 per sq.m.	The higher the price per sq.m. the higher the fair value
Land held for development of investment properties	221,750	Sales comparison approach	Price per sq.m.	RMB2,584 per sq.m.	The higher the price per sq.m. the higher the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

17. INVESTMENT PROPERTIES (continued)

Information about Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

(continued)

As at 31 December 2015

Description	Fair value RMB'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
Land held for undetermined use	322,680	Sales comparison approach	Price per sq.m.	RMB2,431 per sq.m.	The higher the price per sq.m. the higher the fair value
Land held for development of investment properties	251,930	Sales comparison approach	Price per sq.m.	RMB 2,431 per sq.m.	The higher the price per sq.m. the higher the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

18. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2016:

Name of subsidiary	Place of incorporation and kind of legal entity	Particular of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Principal activities and place of operation
Gudou Wonderland Limited	BVI, limited liability company	HK\$1	100%	100%	Investment holding in Hong Kong
View Top Holding Limited 景騰集團有限公司	Hong Kong, limited liability company	HK\$10,000	—	100%	Investment holding in Hong Kong
Guangdong Gudou Travel Group Company Limited 廣東古兜旅遊集團有限公司	The PRC, limited liability company	United States Dollars ("US\$") 12,437,431	—	100%	Development and operation of a resort and the development and sales of properties at the resort in the PRC
Jiangmen City Gudou Travel and Hotel Management Company Limited 江門市古兜旅遊酒店管理有限公司	The PRC, limited liability company	RMB15,000,000	—	100%	Development and operation of a resort in the PRC
Jiangmen City Gudou Travel and Development Company Limited 江門市古兜旅遊開發有限公司	The PRC, limited liability company	RMB10,000,000	—	100%	Development of tourism projects in the PRC
Jiangmen City Weisheng Investment Company Limited 江門市偉盛投資有限公司	The PRC, limited liability company	RMB15,000,000	—	100%	Property management in the PRC
Jiangmen City Weicheng Business Service Company Limited 江門市偉成商務服務有限公司 *	The PRC, limited liability company	RMB500,000	—	—	Planning of various promotional campaigns and organisation of conferences and exhibitions in the PRC
Jiangmen City Xinhui Yueguangqu Entertainment Company Limited 江門市新會區月光曲娛樂有限公司	The PRC, limited liability company	RMB500,000	—	100%	Operation of entertainment business in a resort in the PRC

* Jiangmen City Weicheng Business Service Company Limited was disposed of on 26 January 2015. Details are disclosed in Note 37(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

19. PROPERTIES HELD FOR SALE

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Completed properties held for sale		
— Leasehold land	114	284
— Construction costs and capitalised expenditures	9,971	14,368
— Interest capitalised	522	278
	<u>10,607</u>	<u>14,930</u>
Properties held for sale under development		
— Leasehold land	18,032	1,189
— Construction costs and capitalised expenditures	48,671	19,392
— Interest capitalised	2,732	1,412
	<u>69,435</u>	<u>21,993</u>
	<u><u>80,042</u></u>	<u><u>36,923</u></u>

- (a) The analysis of carrying value of prepaid land lease payments included in completed properties held for sale and properties held for sale under development is as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
In the PRC		
— Long lease	—	—
— Medium-term leases	18,146	1,473
	<u>18,146</u>	<u>1,473</u>
	<u><u>18,146</u></u>	<u><u>1,473</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

19. PROPERTIES HELD FOR SALE (continued)

(b) Properties held for sale under development expected to be completed:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Within one year	<u>69,435</u>	<u>21,993</u>

20. INVENTORIES

Inventories comprised merchandise goods at 31 December 2016 (2015: Same). Inventories are stated at lower of cost or net realisable value.

21. ACCOUNTS RECEIVABLE

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Accounts receivable	<u>26,244</u>	<u>42,567</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

21. ACCOUNTS RECEIVABLE (continued)

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

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

The maximum exposure to credit risk as at 31 December 2016 was the carrying value of accounts receivable mentioned above (2015: Same). The carrying amounts of accounts receivable were denominated in RMB.

As of 31 December 2016 accounts receivable of RMB3,732,000 (2015: RMB5,990,000) were pledged to secure a bank loan as set out in Note 30 to the consolidated financial statements.

As of 31 December 2016, accounts receivable of RMB870,000 (2015: RMB682,000) were past due but not impaired. These relate to a number of independent travel agencies and corporate customers for whom there is no recent history of default. The aging analysis of these accounts receivable is as follows:

	As at 31 December			As at 31 December		
	2016 Travel agencies RMB'000	2016 Property purchasers RMB'000	2016 Total RMB'000	2015 Travel agencies RMB'000	2015 Property purchasers RMB'000	2015 Total RMB'000
Up to 30 days	325	—	325	465	—	465
31 to 60 days	152	—	152	5	—	5
61 to 90 days	44	—	44	22	—	22
91 to 180 days	21	—	21	52	—	52
181 to 365 days	328	—	328	92	—	92
1 to 2 years	—	—	—	46	—	46
Over 2 years	—	—	—	—	—	—
	870	—	870	682	—	682

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Non-current portion		
Prepayment for renovation for properties held for sale (Note a)	13,430	22,923
Deposit of purchase of property, plant and equipment	—	3,500
	<u>13,430</u>	<u>26,423</u>
Current portion		
Prepayments		
— Renovation for properties held for sale (Note a)	15,084	13,404
— Prepaid rental for sales and leaseback transactions (Note b)	1,209	1,835
— Listing expenses	—	4,838
— Others	4,207	1,383
	<u>20,500</u>	<u>21,460</u>
Other receivables	1,841	2,544
Deposits	6,103	1,607
	<u>28,444</u>	<u>25,611</u>
	<u>41,874</u>	<u>52,034</u>

Notes:

- (a) Included in prepayments were deemed rental cost that would otherwise be payable by the Group but had been given up by the property owners in turn for the renovation for the Mountain Seaview Vacation Apartments. The deemed rental cost is amortised over the terms of the lease agreement.
- (b) Included in prepayments were prepaid rentals, arose from sales and leaseback transactions, in which the Group entered into with certain purchasers regarding the sale of certain Group's properties. The prepaid rentals are amortised to profit or loss according to the terms of the relevant agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

23. DUE FROM A RELATED PARTY

Amount due from a related party as at year ended 31 December 2015 and 2016 is as follows:

Name	Name of directors having beneficial interest	At 31 December		Maximum amount outstanding during the year ended	
		2016	2015	2016	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wang Jun (key management personal)	N/A	—	—	—	605
		—	—	—	605
		<u>—</u>	<u>—</u>	<u>—</u>	<u>605</u>

The above amount was non-trade in nature, unsecured, repayable on demand and interest-free.

24. DUE FROM RELATED COMPANIES

Amounts due from related companies as at year ended 31 December 2015 and 2016 are as follows:

Name	Name of directors having beneficial interest	At 31 December		Maximum amount outstanding during the year ended	
		2016	2015	2016	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Kaiping Gudou Investment and Development Company Limited (開平市古兜投資開發 有限公司)	Mr. Hon Chi Ming	—	—	—	22,663
Kaiping Gudou Hotel Investment and Management Company Limited (開平市古兜酒店投資 管理有限公司)	Mr. Hon Chi Ming	—	—	—	1,142
		—	—	—	23,805
		<u>—</u>	<u>—</u>	<u>—</u>	<u>23,805</u>

All the above amounts are non-trade in nature, unsecured, repayable on demand and interest-free.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

25. RESTRICTED BANK DEPOSITS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Guarantee deposits for construction of properties held for sale	4,946	9,769
Pledged bank deposits (Note 30)	86,900	44,720
	<u>91,846</u>	<u>54,489</u>

In accordance with the Administration of Pre-sale of Commodity Premises Regulations of Guangdong Province, the Group is required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for construction of related properties. The deposits can only be used for the purchases of construction materials and the payments of construction costs of the relevant property project when approval from PRC State-Owned Land Resources and Housing Administrative Bureau is obtained. Such guarantee deposits will only be released after completion of related pre-sale properties.

Restricted bank deposits of RMB86,900,000 (2015: RMB44,720,000) were pledged to secure bank loans as set out in Note 30 to the consolidated financial statements as at 31 December 2016.

The carrying amount of the Group's restricted bank deposits approximate their fair value.

As at 31 December 2016, the restricted bank deposits of the Group are all denominated in RMB (2015: RMB). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

26. BANK AND CASH BALANCES

The carrying amount of the Group's bank and cash balances approximate their fair value and are denominated approximate their fair value in the following currencies:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
RMB	19,338	27,034
HK\$	47,588	5,565
	<u>66,926</u>	<u>32,599</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

27. ACCOUNTS PAYABLE

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

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

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

28. PROCEEDS RECEIVED FROM PRE-SALE OF PROPERTIES

Proceeds received from purchasers of pre-sales of properties units represented deposits received from purchasers in connection with the pre-sales that have not yet been recognised as revenue of the Group in accordance with the Group's revenue recognition policy. All proceeds are expected to be recognised as revenue within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

29. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Receipts in advance from customers	<u>13,279</u>	<u>12,856</u>
Other payables		
Advances from PRC government (Note a)	8,500	18,000
Others	<u>9,636</u>	<u>7,092</u>
	<u>18,136</u>	<u>25,092</u>
Accruals		
Staff cost	5,533	3,900
Other tax payables	9,337	6,400
Listing expenses	2,882	2,237
Others	<u>8,256</u>	<u>9,003</u>
	<u>26,008</u>	<u>21,540</u>
	<u>57,423</u>	<u>59,488</u>

Notes:

- The amounts represent the subsidies from the PRC government provided to the Group to enhance and upgrade the facilities. The related facilities were still under construction as at 31 December 2016. The amounts are to be recognised in the profit or loss when the Group complies with all attached conditions (2015: Same).
- The carrying amount of the Group's accounts payable approximate their fair value.
- The carrying amounts of the group's accruals and other payables are denominated in the following currencies:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
RMB	53,647	57,251
HK\$	<u>3,776</u>	<u>2,237</u>
	<u>57,423</u>	<u>59,488</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

30. BORROWINGS

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Bank loans (Note a)	464,971	419,826

The borrowings are repayable as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Within one year	152,415	103,910
Between one and two years	74,053	39,456
Between two to five years	134,382	140,017
Over five years	104,121	133,519
	464,971	416,902
Portion of bank loans that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	—	2,924
	464,971	419,826
Less: Amount due for settlement within 12 months (shown under current liabilities)	(152,415)	(106,834)
Amount due for settlement after 12 months	312,556	312,992

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

30. BORROWINGS (continued)

Notes:

- (a) The Group's bank borrowings were secured by guarantees issued by the Group, and the pledges of the Group's assets with carrying values at year ended 31 December 2016 are as follows:

	Note	As at 31 December	
		2016 RMB'000	2015 RMB'000
Property, plant and equipment	15	58,594	59,746
Prepaid land lease payments	16	6,997	7,413
Investment properties	17	310,280	396,810
Pledged bank deposits	25	86,900	44,720
Accounts receivable	21	3,723	8,572
		<u> </u>	<u> </u>

The Group has undrawn borrowing facilities amounting to RMB45,000,000 (2015: RMB51,173,000) as at 31 December 2016.

- (b) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	HK\$ RMB'000	RMB RMB'000	Total RMB'000
31 December 2015			
Bank loans	38,578	381,248	419,826
	<u> </u>	<u> </u>	<u> </u>
31 December 2016			
Bank loans	51,549	413,422	464,971
	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

30. BORROWINGS (continued)

Notes: (continued)

- (b) The carrying amounts of the Group's borrowings are denominated in the following currencies: (continued)

Details of interest rates are set at below:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Short-term bank loans (floating rate)	4.41%	4.80%
Short-term bank loans (fixed rate)	4.79%	4.79%
Long-term bank loans (floating rate)	5.73%	5.81%
Long-term bank loans (fixed rate)	7.19%	7.19%

- (c) The carrying amounts of the Group's borrowings approximate their fair values.
- (d) The Group's effective interest rate of the borrowings was 5.14%, (2015: 6.2%) for the year ended 31 December 2016.

31. LOANS FROM SHAREHOLDERS

The loans are interest bearing at 15% per annum and repayable on or before 5 March 2016. The loans are secured by personal guarantees of Mr. Hon Chi Ming and corporate guarantees of the Company. The lenders do not have the right to call the loan before the maturity date. Accordingly, the loans were classified as current liabilities as at 31 December 2015.

The loans from shareholders have been expired on 5 March 2016. Pursuant to the deeds of confirmation dated 2 March 2016, the loans including the interest incurred were extended for 24 months to 5 March 2018, which is 42 months commencing from the date of the respective loan agreements. The loans repaid on 9 December 2016 and the loans became nil as at 31 December 2016.

The Group's effective interest rate of the loans from shareholders was 14.3% (2015: 14.5%) for the year ended 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

32. PUTTABLE SHARES

	As at 31 December	
	2016 RMB'000	2015 RMB'000
At beginning of year	106,559	89,100
Imputed interest	13,849	11,892
Transfer to reserve	(128,187)	—
Exchange difference	7,779	5,567
	<u> </u>	<u> </u>
At end of year	—	106,559
	<u> </u>	<u> </u>
Analysed as:		
Current liabilities	—	106,559
Non-current liabilities	—	—
	<u> </u>	<u> </u>
	—	106,559
	<u> </u>	<u> </u>

Note:

- (i) Pursuant to a share subscription agreement dated 5 September 2014, Fu An International Investments Limited ("Fu An") subscribed for 3,040,000 ordinary shares ("Fu An Shares") of the Company with a total subscription cash price of HK\$35,200,000 (equivalent to RMB27,935,000).

Pursuant to a put option deed dated 17 September 2014 entered into by the Company, Fu An and Wealth Promise Holdings Limited ("Wealth Promise") and Mr. Hon (the "Fu An Put Option Deed"), the Company granted to Wealth Promise, which is acting as the duly appointed nominee of Fu An, a put option which gives Wealth Promise the right, but not the obligation to require the Company to purchase the Fu An Shares from Wealth Promise, at any time during a period of 6 months from the date of expiry of 18 months immediately after the date of the Fu An Put Option Deed ("Fu An Put Option Deed Period"), at the option purchase price upon the terms and subject to the conditions thereof, if the listing of the ordinary shares of the Company does not take place within 18 months from the date of the Fu An Put Option Deed. The amount of the option purchase price is equal to the sum of the subscription amount by Fu An plus a return calculated at the rate of 15% per annum.

The Fu An Put Option Deed was expired on 16 March 2016. Pursuant to an amendment deed dated 15 March 2016 entered into by the Company, Fu An and Wealth Promise and Mr. Hon (the "Fu An Amendment Deed"), with effect from the date of the Fu An Amendment Deed, the parties agreed that Fu An Put Option Deed Period for the puttable option and its interest incurred was further extended for 24 months to 16 March 2018, which is 42 months commencing from the date of Fu An Put Option Deed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

32. PUTTABLE SHARES (continued)

Note: (Continued)

- (ii) Pursuant to a share purchase agreement dated 5 September 2014, Dynasty Fortune Capital Limited ("Dynasty Fortune") purchased 4,560,000 ordinary shares of the Company ("DF Shares") from Harvest Talent Investments Limited ("Harvest Talent"), the ultimate holding company, for a total purchase price of HK\$52,800,000 (equivalent to RMB41,848,000). Mr. Hon is the controlling shareholder of Harvest Talent. The Company was not a party to this transaction.

Pursuant to a put option deed dated 19 September 2014 entered into by the Company, Dynasty Fortune, Dynasty Fortune Tourism Property Investments Limited ("DF Tourism") and Mr. Hon (the "DF Put Option Deed"), the Company granted to DF Tourism, which is acting as the duly appointed nominee of Dynasty Fortune, a put option which gives DF Tourism the right, but not the obligation to require the Company to purchase the DF Shares from DF Tourism, at any time during a period of 6 months from the date of expiry of 18 months immediately after the date of the DF Put Option Deed ("DF Put Option Deed Period"), at the option purchase price upon the terms and subject to the conditions thereof, if the listing of the shares of the Company does not take place within 18 months from the date of the DF Put Option Deed. The amount of the option purchase price is equal to the sum of the subscription amount by Dynasty Fortune plus a return calculated at the rate of 15% per annum.

The DF Put Option Deed was expired on 18 March 2016. Pursuant to an amendment deed dated 15 March 2016 entered into by the Company, Dynasty Fortune and DF Tourism and Mr. Hon (the "DF Amendment Deed"), with effect from the date of the DF Amendment Deed, the parties agreed that DF Put Option Deed Period for the puttable option and its interest incurred was further extended for 24 months to 18 March 2018, which is 42 months commencing from the date of DF Put Option Deed.

- (iii) Pursuant to a share purchase agreement dated 5 September 2014, Grand Luck Ventures Limited ("Grand Luck") purchased 1,900,000 ordinary shares of the Company ("Grand Luck Shares") from Harvest Talent for a total purchase price of HK\$22,000,000 (equivalent to RMB17,403,000). Mr. Hon is the controlling shareholder of Harvest Talent. The Company was not a party to this transaction.

Pursuant to a put option deed dated 12 December 2014 entered into by the Company, Grand Luck and Mr. Hon (the "GL Put Option Deed"), the Company granted to Grand Luck a put option which gives the right, but not the obligation to require the Company to purchase the Grand Luck Shares from Grand Luck, at any time during a period of 6 months from the date of expiry of 18 months immediately after the date of the GL Put Option Deed ("GL Put Option Deed Period"), at the option purchase price upon the terms and subject to the conditions thereof, if the listing of the shares of the Company does not take place within 18 months from the date of the GL Put Option Deed. The amount of the option purchase price is equal to the sum of the subscription amount by Grand Luck plus a return calculated at the rate of 15% per annum.

The GL Put Option Deed will be expired on 11 June 2016. Pursuant to an amendment deed dated 15 March 2016 entered into by the Company, Grand Luck and Mr. Hon (the "GL Amendment Deed"), with effect from the date of the GL Amendment Deed, the parties agreed that GL Put Option Deed Period for the puttable option and its interest incurred shall be further extended for 24 months to 11 June 2018, which is 42 months commencing from the date of GL Put Option Deed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

32. PUTTABLE SHARES (continued)

Note: (Continued)

The Company has presented the above Fu An subscription with the puttable option as financial liability — puttable shares. If the Company completes a qualifying listing of the Company's shares on or before 42 months from the date of the Fu An Put Option Deed according to the Fu An Amendment Deed, the put option will lapse automatically and the related financial liability will be converted to equity of the Company.

The Company has presented the stand-alone written puttable options issued to DF and GL as financial liability — puttable options with a corresponding debit entry to equity under reserve relating to written put options. If the Company completes a qualifying listing of the Company's shares on or before 42 months from the dates of the DF and GL Put Option Deeds according to the DF and GL Amendment Deeds, the put options will lapse automatically and the related financial liabilities will be converted to equity of the Company.

The finance cost amounting to RMB13,849,000 (2015: RMB11,893,000) was charged to profit or loss for the year ended 31 December 2016.

The Group's effective interest rate of the puttable shares was 12.2% (2015: 14.5%) for the year ended 31 December 2016.

33. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group.

Deferred Tax Liabilities

	Revaluation of investment properties <i>RMB'000</i>	Accelerated tax depreciation <i>RMB'000</i>	Others <i>RMB'000</i>	Total deferred tax liabilities <i>RMB'000</i>
As at 1 January 2015	131,583	2,150	1,368	135,101
Charged to profit or loss for the year (Note 10)	5,445	2,843	545	8,833
As at 31 December 2015	137,028	4,993	1,913	143,934
Charged/(credited) to profit or loss for the year (Note 10)	5,915	(708)	(598)	4,609
As at 31 December 2016	142,943	4,285	1,315	148,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

33. DEFERRED TAX (continued)

Deferred Tax Assets

	Decelerated tax depreciation <i>RMB'000</i>	Excess of amortisation of prepaid land lease over tax allowances <i>RMB'000</i>	Tax losses <i>RMB'000</i>	Total deferred tax assets <i>RMB'000</i>
As at 1 January 2015	—	(882)	(2,632)	(3,514)
Credited to profit or loss for the year (Note 10)	—	(145)	(2,679)	(2,824)
As at 31 December 2015	—	(1,027)	(5,311)	(6,338)
(Credited)/charged to profit or loss for the year (Note 10)	—	(69)	(174)	(243)
As at 31 December 2016	<u>—</u>	<u>(1,096)</u>	<u>(5,485)</u>	<u>(6,581)</u>

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB12,948,000 (2015: RMB12,286,000) as at 31 December 2016, in respect of losses amounting to RMB48,190,000 (2015: RMB49,144,000) as at 31 December 2016 respectively that can be carried forward against future taxable income and losses are subject to expiry period of five years.

34. DEFERRED INCOME

Deferred income represented the subsidies from the PRC government provided to the Group to enhance and upgrade the facilities. The related facilities completed as at 31 December 2016. The amount recognised in the profit or loss on a systematic basis over the periods in which the Group recognises depreciation expense for the related costs of enhancement and upgrade of the facilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

35. SHARE CAPITAL

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

Notes:

- (a) 712,000,000 Shares of HK\$0.01 each were issued at par value to the Shareholders by way of capitalisation of HK\$7,120,000 (equivalent to RMB6,325,000) from the Company's share premium account.
- (b) The Company was listed on the Hong Kong Stock Exchange on 9 December 2016. In connection with the Placing, the Company issued a total of 230,000,000 Shares at a price of HK\$0.60 per Share for a total proceeds (before related fees and expenses) of HK\$138,000,000. These new Shares rank pari passu with the existing Shares in all respects.

36. RESERVES

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of a Subsidiary

On 26 January 2015, the Group disposed of its 100% equity interest in its subsidiary, Jiangmen City Weicheng Business Service Company Limited to Jiangmen Jingteng Business Service Company Limited, a company indirectly wholly-owned by Mr. Hon, at a consideration of RMB500,000.

Net assets at the date of disposal were as follows:

	<i>RMB'000</i>
Property, plant and equipment	33
Account receivable	65
Amounts due from related companies	500
Bank and cash balances	141
Accounts payable	(1)
Accruals and other payables	<u>(222)</u>
Net assets disposed of	516
Loss on disposal of a subsidiary	<u>(16)</u>
Total consideration — satisfied by cash	<u><u>500</u></u>
Net cash inflow arising on disposal:	
Cash consideration received	500
Cash and cash equivalents disposed of	<u>(141)</u>
	<u><u>359</u></u>

(b) Note to Financing Activities

During the year ended 31 December 2015, the Group has received/settled all these outstanding balances and the cash flow related to these transactions were classified under financing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

38. CAPITAL COMMITMENTS

The Group had the following capital commitments contracted but not provided for:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Construction in progress	4,926	3,989
Property, plant and equipment	—	25
Properties held for sale	33,360	45,448
	38,286	49,462

39. LEASE COMMITMENTS

Operating Lease Commitments — Lessee

The Group's total future minimum lease payments under non-cancelable operating leases are as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Within one year	6,142	3,922
In the second to fifth years inclusive	13,543	12,111
After five years	6,809	6,498
	26,494	22,531

Operating lease payables represent rental payable for certain of its buildings. Leases are negotiated for an average term of 2 to 20 years and rental are fixed over the lease terms and do not include contingent rentals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

39. LEASE COMMITMENTS (continued)

Operating Lease Commitments — Lessor

The Group's total future minimum lease receivables under non-cancelable operating leases are as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Within one year	1,414	813
In the second to fifth years inclusive	452	114
After five years	12	—
	<u>1,878</u>	<u>927</u>

Operating lease receivables represent stall rental receivable. Leases are negotiated for an average term of 2 to 5 years and rental are fixed over the lease terms and do not include contingent rentals.

40. MATERIAL RELATED PARTIES TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Group is ultimately controlled by Mr. Hon Chi Ming and Harvest Talent Investments Limited, a company incorporated in the British Virgin Islands.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the year ended 31 December 2016.

(a) Name and Relationship with Related Parties

Name of related parties	Relationship
Fu An	Shareholder of the Company
Dynasty Fortune	Shareholder of the Company
Grand Luck	Shareholder of the Company
Mr. Hon Chi Ming	Executive director
Ms. Li Wai Ling	Spouse of executive director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

40. MATERIAL RELATED PARTIES TRANSACTIONS (continued)

(b) Transactions with Related Parties

The following transactions were carried out with related parties at terms mutually agreed by both parties:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Finance costs from puttable shares:		
— Fu An	4,426	3,819
— Dynasty Fortune	6,640	5,725
— Grand Luck	2,783	2,349
Finance costs from shareholders' loan:		
— Fu An	3,729	3,666
— Dynasty Fortune	3,728	3,665
Salary of Ms. Li Wai Ling	138	143

(c) Compensation of Key Management Personnel of the Group:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Salaries, bonus and allowances	2,761	1,828
Retirement benefit scheme contributions	147	123
	<u>2,908</u>	<u>1,951</u>

(d) Due from Related Companies

	As at 31 December	
	2016 RMB'000	2015 RMB'000
At beginning of the year	—	23,805
Transfer of creditors' right	—	—
Disposal of a subsidiary	—	(500)
Repayments during the year	—	(23,305)
	<u>—</u>	<u>—</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

41. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Non-current asset		
Investment in a subsidiary	208,587	208,587
Current asset		
Prepayments	900	—
Cash and bank balances	155	—
Due from a subsidiary	138,520	29,488
	139,575	29,488
Current liabilities		
Accruals	895	—
Financial guarantee contracts liabilities	—	123
Puttable shares	—	106,559
	895	106,682
Net current assets/(liabilities)	138,680	(77,194)
Total assets less current liabilities	347,267	131,393
Non-current liability		
Puttable shares	—	—
NET ASSETS	347,267	131,393
Capital and reserves		
Share capital	8,669	301
Reserves	338,598	131,092
TOTAL EQUITY	347,267	131,393

Note (a)

The statement of financial position of the Company was approved by the Board of Directors on 21 March 2017 and was signed on its behalf:

.....
HON Chi Ming, Director

.....
HUANG Zhanxiong, Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

41. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(continued)

Note (a) Reserve movement of the Company

	Share Premium RMB'000	Foreign currency translation reserve RMB'000	Capital Reserve RMB'000	Other Reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2015	—	(283)	208,587	(58,659)	(3,385)	146,260
Total comprehensive loss for the year	—	(3,960)	—	—	(11,208)	(15,168)
As at 31 December 2015	—	(4,243)	208,587	(58,659)	(14,593)	131,092
As at 1 January 2016	—	(4,243)	208,587	(58,659)	(14,593)	131,092
Total comprehensive loss for the year	—	(5,201)	—	—	(14,729)	(19,930)
Capitalisation issue (Note 35(a))	(6,325)	—	—	—	—	(6,325)
Issuance of shares upon initial public offering (Note 35(b))	120,542	—	—	—	—	120,542
Share issuance costs	(14,968)	—	—	—	—	(14,968)
Lapse of puttable options (Note 32)	—	—	—	128,187	—	128,187
As at 31 December 2016	99,249	(9,444)	208,587	69,528	(29,322)	338,598

(i) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(ii) Capital reserve

The capital reserve represents differences between the nominal value of the shares of the Company and the capital of View Top Holding Limited acquired on 11 September 2014.

PARTICULARS OF PROPERTIES

PROPERTIES UNDER DEVELOPMENT AND/OR SALE:

(A) Completed properties held for sale

Property name	Location	Type	Approximate gross floor area (sq.m.)	Attributable interest of the Group
Mountain Seaview Vacation Apartments	A total of 8 various apartment units, 4 various commercial units and 3 various nos. of car parking space in Mountain Seaview Vacation Apartments and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	Residential, commercial and carparks	1,044.3	100%
Joyful Apartments	A total of 42 various apartment units and 18 various commercial units in Joyful Apartments located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	Residential and commercial	2,238.0	100%

PARTICULARS OF PROPERTIES

(B) Property under development

Property name	Location	Type	Stage of completion	Expected completion date	Approximate site area (sq.m.)	Approximate gross floor area (sq.m.)	Attributable interest of the Group
Mountain Seaview Vacation Residence	A developing commercial development erected on Lot Nos. 0928000493 and 0928000297 (portion) and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	Residential and carparks	Construction of the main building completed	Fourth quarter of 2017	10,875.0	26,667.5	100%
Heart of Spring Apartments	A commercial development erected on Lot No. 0928000327 (portion) located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	Residential and commercial	Construction works planning permit obtained	Second quarter of 2018	9,039.0	17,701.5	100%

PARTICULARS OF PROPERTIES

PROPERTIES HELD FOR INVESTMENT:

Location	Use	Tenure	Attributable interest of the Group
Seven various parcels of land known as Lot Nos. 0928000495, 0928000327(portion), 0928000290, 0928000505, 0928000311, 0928000496 and 0928000308 and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	To be developed	Until 12 July 2042 to 19 June 2043	100%
Fourteen various parcels of land known as Lot Nos. 0928000297 (portion), 0928000293 (with a building erected thereon), 0928000492 (portion), 0928000301, 0928000309, 0928000310, 0928000318, 0928000497, 0928000494, 0928000316, 0928000314, 0928000299, 0928000291 and 440705008005GB00288 and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	To be developed	Until 12 July 2042 to 6 June 2052	100%

FINANCIAL SUMMARY OF THE GROUP

	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>
Results			
Turnover	206,468	202,153	185,052
Profit/(loss) before tax	82,838	(299)	(34,148)
Total comprehensive income/(loss) for the year attributable to owners of the Company	57,726	(24,643)	(61,395)
Assets and Liabilities			
Total assets	899,378	1,008,945	1,144,930
Total liabilities	699,871	834,081	795,657
Net assets/Total equity	199,507	174,864	349,273

Note:

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 10 January 2014. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows in this report included the results and cash flows of the companies now comprising the Group as if the current Group structure had been in existence throughout the year ended 31 December 2014. The consolidated statements of financial position of the Group as at 31 December 2014 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current Group structure had been in existence at such date.

The financial results of the Group for the years ended 31 December 2014 and 2015 and its financial position as at 31 December 2014 and 2015 are extracted from the Prospectus.