



古兜控股有限公司

Gudou Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8308

Hot Spring • Tourism
Health • Wellness

2025
ANNUAL REPORT

CHARACTERISTICS OF GEM OF THE HONG KONG STOCK EXCHANGE

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

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This 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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CORPORATE PROFILE

The Group is an operating group specialising in hot spring tourism, leisure health and wellness. Gudou is founded on our belief in the importance of health regimen to human beings and well-being of body and mind and the vision to improve quality of life of the general public. It develops the health and wellness business with a 25-year renowned brand “Gudou” through management of hot spring resorts and urban hotels, provision of consultancy services to third-party resort and hotel operators and development and sales of tourism properties. 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.

The Group operates and manages hot spring resort with a mission to revitalise and re-energise the bodies, minds and spirits of our guests. The Gudou Hot Spring Resort is the flagship of the Group’s resort operation and a national AAAA-level tourist area located in Jiangmen City, Guangdong Province, the PRC. This integrated resort complex features a mixture of hot spring facilities, six themed hotels, F&B outlets, waterpark and ancillary leisure and recreational attractions.

Along with hot spring resort and hotel operations, the Group also develops and sells tourism properties including villas, apartments, studio flats, commercial units and carpark spaces. These properties are located in the vicinity of the Gudou Hot Spring Resort and are developed with an aim to enable the property owners to experience holistic living in a state of well-being. As at the date of this report, the Group has completed 8 tourism property projects, namely South Asian Villas, Baden Town Villas, Mountain Seaview Vacation Apartments, Joyful Apartments, Mountain Seaview Vacation Residence, Heart of Spring Apartments, Gudou Yishui Mingting and Guanshanyue.

Gudou Hot Spring Resort was awarded as a National Tourist Attraction – Grade AAAA by the National Tourist Attraction Quality Rating Committee* in 2005. The Royal SPA Hotel was rated as a five-star hot spring by the National Hot Spring Tourism Enterprise Star Rating Committee in 2020.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Han Jim Zhao Ping (*Chairman*)

Mr. Jiang Guowei (*Chief Executive Officer*)
(Appointed on 23 June 2025)

Mr. Hon Chi Ming (*Co-chairman*)

Mr. Wu Weibin

Mr. Wang Jun

Non-Executive Directors

Ms. Huang Yi

Independent Non-Executive Directors

Mr. Chan Cheuk Ho

Ms. Zhang Shaomin

Mr. E Yau Lai (Appointed on 1 April 2025)

COMPANY SECRETARY

Mr. Cheng Kai Pui

COMPLIANCE OFFICER

Mr. Li Yanan, qualified attorney in the PRC

AUTHORISED REPRESENTATIVES

Mr. Jiang Guowei

Mr. Cheng Kai Pui

AUDIT COMMITTEE

Mr. Chan Cheuk Ho (*Chairman*)

Ms. Zhang Shaomin

Mr. E Yau Lai

REMUNERATION COMMITTEE

Ms. Zhang Shaomin (*Chairlady*)

Mr. Chan Cheuk Ho

Mr. E Yau Lai

COMPLIANCE COMMITTEE

Mr. Li Yanan (*Chairman*)

Mr. Huang Zhanxiong

Mr. Wang Jun

AUDITORS

Rongcheng (Hong Kong) CPA Limited

(formerly know as "CL Partners CPA Limited")

Unit 4301-4307, 43/F

COSCO Tower

183 Queen's Road

Central

Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co. Ltd.

Industrial and Commercial Bank of China Limited

Xinhui Rural Commercial Bank Limited

REGISTERED OFFICE

Windward 3, Regatta Office Park

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

STOCK CODE

8308

WEBSITE OF THE COMPANY

www.gudouholdings.com

CORPORATE INFORMATION

NOMINATION COMMITTEE

Ms. Zhang Shaomin (*Chairlady*)

Mr. Chan Cheuk Ho

Mr. Hon Chi Ming

Mr. E Yau Lai (Appointed on 1 April 2025)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1612, 16th Floor

Austin Tower, 22-26 Austin Avenue

Tsimshatsui, Kowloon, Hong Kong

HONG KONG LEGAL ADVISERS

CLKW Lawyers LLP

1901A, 1902 & 1902A, 19/F, New World Tower I,

16-18 Queen's Road Central,

Central, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICES

Principal share registrar and transfer office

Ocorian Trust (Cayman) Limited

Windward 3, Regatta Office Park,

P.O. Box 1350, Grand Cayman

KY1-1108, Cayman Islands

Hong Kong branch share registrar

Union Registrars Limited

Suites 3301-04, 33rd Floor.

Two Chinachem Exchange Square

338 King's Road, North Point

Hong Kong

FINANCIAL HIGHLIGHTS

Selected Financial Information	For the year ended		
	31 December		
	2025	2024	Increase/ (Decrease)
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	53,150	53,380	-0.4%
– Hot spring resort and hotel operations and consultancy and/or management services	25,558	45,062	-43.3%
– Tourism property development	27,592	8,319	231.7%
Gross profit/(loss)	514	(6,208)	N/A
Loss from operations	(50,829)	(31,546)	61.1%
Loss before income tax	(66,017)	(51,165)	29.0%
Loss for the period and loss attributable to owners of the Company	(61,932)	(50,808)	21.9%
Losses per share – basic (in RMB cents)	(4.85)	(4.45)	9.0%
Losses per share – diluted (in RMB cents)	(4.85)	(4.45)	9.0%

Non-HKFRS measures	For the year ended		
	31 December		
	2025	2024	Increase/ (Decrease)
	<i>RMB'000</i>	<i>RMB'000</i>	
Earning before interest, tax, depreciation and amortisation (EBITDA)	(26,156)	(1,506)	1636.8%
Earning before interest, tax, depreciation, amortisation and fair value adjustments (EBITDAF)	(7,256)	6,394	-213.5%
Adjusted EBITDAF	(4,101)	4,454	-192.1%
Adjusted net loss	(60,881)	(49,337)	23.4%

FINANCIAL HIGHLIGHTS

NON-HKFRS MEASURES

To supplement the presentation and evaluation of our historical financial information, certain non-HKFRS accounting measures including (i) EBITDA, (ii) EBITDAF, (iii) Adjusted EBITDAF, and (iv) Adjusted net profit/(loss) are used.

Earnings before interest income, interest expense, income tax expense and depreciation and amortisation, or EBITDA is used to assess our results of operations before the impact of investing and financing transactions and income taxes. Given the investments that we have made in leasehold improvements in Gudou Hot Spring Resort, depreciation and amortisation expenses take a high portion of our cost structure. We believe that EBITDA is widely used by other companies in the hospitality industry and may be used by investors as a measure of our financial performance.

Earnings before interest income, interest expense, income tax expense, depreciation and amortisation and fair value adjustments, or EBITDAF represents EBITDA before fair value adjustments (i.e. fair value gain or loss of investment properties). Even though the gains and losses are relevant to our tourism property business operations, they have caused and will continue to cause volatility in our periodic earnings and of low predictive value

Adjusted EBITDAF represents EBITDAF before certain non-cash items and one-time events including share-based payments and professional fees arising from the application of the proposed transfer of listing from GEM to the Main Board of the Stock Exchange, which we do not believe are reflective of our core operating performance during the years presented.

Adjusted net profit/(loss) represents profit/(loss) for the year before certain non-cash items and events including share-based payments and professional fees arising from the application of the proposed transfer of listing from GEM to the Main Board of the Stock Exchange, which we do not believe are reflective of our core operating performance during the years presented.

The specific definition and calculation of the non-HKFRS accounting measures can differ from other companies, so such measures presented herein may not be comparable to similarly named measures presented by other companies. From time to time in the future, there may be other items that the Company may exclude in reviewing its financial results.

FINANCIAL HIGHLIGHTS

The following table sets forth a reconciliation of our profit from operations to EBITDA, EBITDAF and Adjusted EBITDAF for the periods indicated

	For the year ended	
	31 December	
	2025	2024
	RMB'000	RMB'000
Adjusted EBITDA		
(Loss)/Profit from operations	(50,829)	(31,546)
Adjusted for:		
Depreciation of Property, Plant and Equipment	23,532	28,916
Depreciation of Right of use Assets	1,141	1,124
EBITDA	(26,156)	(1,506)
Add: Fair value loss on investment properties	18,900	7,900
EBITDAF	(7,256)	6,394
Add: Share-based payment	1,051	1,471
Less: Provision for loss on net realisable value	(5,609)	(1,379)
Less: Net impairment losses on financial assets	7,713	(2,032)
Adjusted EBITDAF	(4,101)	4,454

The following table sets forth a reconciliation of our net loss to adjusted net loss for the period indicated:

	For the year ended	
	31 December	
	2025	2024
	RMB'000	RMB'000
Net loss	(61,932)	(50,808)
Add: Share-based payment	1,051	1,471
Adjusted net loss	(60,881)	(49,337)

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 2025.

BUSINESS OVERVIEW

For us, the year 2025 was a year full of challenges. Against the backdrop of fierce competition in China's tourism industry, we successfully leveraged our unique hot spring resources and brand advantages to seize market opportunities, further consolidating Gudou Hot Spring Resort's leading position in the Guangdong–Hong Kong–Macau Greater Bay Area. The Group's business performance remained stable, our customer base continued to expand, and our brand influence grew stronger.

Over the past year, we not only focused on improving the quality of resort services and customer experience, but also actively promoted digital transformation and expanded sales channels. We deeply understand that tourism is not just a form of consumption, but also a lifestyle choice. Gudou Holdings is committed to providing customers with a holistic experience of health, wellness, and leisure vacations, enabling every guest to find balance and joy for both body and mind at Gudou.

Looking ahead, we are confident in the long-term growth of China's tourism market. With the acceleration of Greater Bay Area integration, Gudou Holdings will continue to leverage its geographical advantages, deepen collaboration with neighboring cities such as Zhuhai and Macau, and attract a broader customer base. We will adhere to the principle of "customer-centricity," driving service innovation and brand upgrades to ensure the Group maintains its leadership during industry transformation.

I firmly believe that with the efforts of all employees and the support of shareholders, Gudou Holdings will usher in an even more glorious chapter. We will continue to pursue prudent financial management and forward-looking strategic planning, creating sustainable value for shareholders while contributing to the development of China's tourism industry.

APPRECIATION

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

Han Jim Zhao Ping

Chairman

Hong Kong, 27 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

For the Year, the Group recorded turnover of approximately RMB53.2 million (2024: approximately RMB53.4 million), representing a decrease of approximately 0.4% when compared with that of the previous year. The decrease in turnover was primarily attributable to the decrease in revenue generated from the Group's hot spring resort and hotel operations business. The turnover from the Group's hot spring resort and hotel operations decreased by approximately 43.3% from approximately RMB45.1 million in the previous year to approximately RMB25.6 million for the Year. Such decrease was mainly driven by a decrease in room revenue, admission and catering income due to a continuous drop in visitors. The Group's revenue from its tourism property development business recorded an increase of approximately 231.7% from approximately RMB8.3 million for the year ended 31 December 2024 to approximately RMB27.6 million for the Year. The increase was primarily attributable to the increase in GFA delivered and sold of Guanshanyue Apartments recorded during the Year.

Cost of Sales

The Group's cost of sales for the Year was approximately RMB52.6 million, representing a decrease of approximately 11.7% from approximately RMB59.6 million for the year ended 31 December 2024. Such decrease was primarily due to decrease in cost of sales of the Group's hot spring resort and hotel operations, which was mainly resulted from a decrease in the staff costs and depreciation expenses during the Period. The decrease was partially offset by the increase in the cost of sales of the Group's tourism property development business. Such increase was primarily due to increase in GFA delivered and sold of Guanshanyue Apartments during the Year.

Gross Loss and Gross Loss Margin

The Group's gross profit for the Year was approximately RMB0.5 million, representing an increase when compared with its gross loss of approximately RMB6.2 million for the year ended 31 December 2024. The Group's gross loss margin increased from approximately 11.6% for the year ended 31 December 2024 to gross profit margin of approximately 0.97% for the Year, which reflected the larger portion of revenue generated from tourism property development which had a higher gross profit margin than that of hot spring resorts and hotel operations.

For the Year, the gross loss margin for hot spring resort and hotel operations was approximately 31.3% (2024: gross loss margin approximately 19.4%). The change is primarily due to the decrease in revenue from the hot spring resort and hotel operations. The gross profit margin for tourism property development for the Year was approximately 30.8% (2024: approximately 30.4%).

Fair Value Losses on Investment Properties

The Group's investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. The Group's investment properties were under medium-term leases in the PRC and were classified into two categories, land held for undetermined use and land held for development of investment properties. Fair value losses on investment properties of the Group for the Year was approximately RMB18.9 million in value, while there was a fair value loss of RMB7.9 million in previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling Expenses

The Group's selling expenses for the Period were approximately RMB3.7 million, representing an decrease of approximately 8.2% over the selling expenses of approximately RMB4.0 million for the previous year. The decrease is primarily attributable to a decrease in promotional expenses incurred by the Group in connection with the sales of the hot spring resort and hotel operations.

Administrative Expenses

The Group's administrative expenses for the Year were approximately RMB21.5 million, representing a decrease of approximately 17.5% over the administrative expenses of approximately RMB26.0 million for the year ended 31 December 2024. The decrease was mainly attributable to the decrease in staff costs and professional fees during the Year.

Taxation

The Group's tax credit for the Year was approximately RMB4.1 million, representing an increase by approximately 1,044.3% from approximately RMB0.4 million tax credit for the year ended 31 December 2024, which is mainly due to an increase in deferred tax credit, which reflects the fair value losses on investment properties of the Group during the Year.

Net Loss and Net Loss Margin

The Group's net loss for the Year was approximately RMB62.0 million, representing an increase in loss when compared to the net loss of the Group of approximately RMB50.8 million for the year ended 31 December 2024. Such increase in net loss was primarily attributable to the increase in fair value losses on investment properties and the decrease of penalty charge to the joint operator.

The Group's net loss margin (which is calculated by dividing its net loss for the relevant period by the turnover for the same period) was approximately 116.5%, representing an increase in loss when compared to the net loss margin of the Group of approximately 95.2% for the year ended 31 December 2024. Such increase was mainly due to (i) a increase in fair value losses on investment properties; and (ii) the decrease of penalty charge to the joint operator.

Liquidity and Financial Resources and Capital Structure

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

As at 31 December 2025, the Group had bank and cash balances of approximately RMB12.5 million which were denominated in RMB and Hong Kong dollars.

There is no outstanding capital commitments of the Group as at 31 December 2025 (2024: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2025, the Group had an outstanding bank loan of RMB214.2 million which were denominated in RMB, among which approximately RMB24.94 million were fixed rate borrowings. The annual loan repayment amounted to approximately RMB1.6 million, which was in line with the Group's repayment schedule. The proceeds from the borrowings were primarily used for capital expenditure, working capital and operating expenses of the Group. As at 31 December 2025, the Group had an outstanding loan from a related party of RMB7.5 million.

The Group's gearing ratio as at 31 December 2024 and 2025, which was calculated by dividing its total borrowings by its total equity as at those dates, was approximately 1.38 and 1.44, respectively. The Group's gearing ratio as at 31 December 2025 increased because the total capital decreased.

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

Charges on Group Assets

As at 31 December 2025, an amount of approximately RMB496.2 million (2024: approximately RMB478.1 million) was pledged to certain banks to secure bank facilities granted to the Group.

Significant Investments/Material Acquisitions and Disposals

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

Litigation and Contingent Liabilities

As at 31 December 2025, 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 2025, the Group had a workforce of 143 full-time employees of whom approximately 95.6% were employed in the PRC and approximately 4.4% in Hong Kong. The Group's staff costs for the years ended 31 December 2024 and 2025 amounted to approximately RMB23.6 million and RMB16.1 million, respectively. The Group hires part-time employees from time to time to cope with additional staffing requirements for our hot spring resort and hotel operations during peak seasons. All qualified employees of the Group in Hong Kong are required to participate in the Mandatory Provident Fund Scheme of Hong Kong under which the Group is required to contribute a fixed percentage of the employees' payroll costs (up to a maximum of HK\$1,500 per month) to the scheme. For the employees of the Group's PRC subsidiaries, the Group makes contributions to various government sponsored employee benefit funds, including housing provident fund, basic pension insurance fund, basic medical insurance, unemployment insurance, maternity insurance and work related injury insurance funds in accordance with applicable PRC laws and regulations.

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

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

Environmental Matters

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

The Company outsources its construction work to construction contractors, who are independent third parties. Pursuant to the respective agreements entered into between the construction contractors and the Group, the construction contractors and any subcontractors, are required to comply with the environmental impact assessment requirement and the applicable environmental laws and regulations in the PRC.

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

MANAGEMENT DISCUSSION AND ANALYSIS

SUPPLEMENTAL INFORMATION REGARDING THE QUALIFIED OPINION

As set out in Note 22 to the consolidated financial statements, Guangdong Gudou Travel Group Company Limited (“GD Gudou”), an indirect wholly owned subsidiary of the Group, entered into a joint operation arrangement with Guangdong Aoyuan Group Company Limited (“GD Aoyuan” or “Joint Operator”) through the execution of two cooperation agreements (“Joint Operation Agreements”) dated 16 July 2019 and 30 June 2020 for the development of 8 parcels of land in Gudou Jiangmen, the People’s Republic of China (the “PRC”) (the “Joint Operation”). Pursuant to the Joint Operation Agreements, GD Gudou is responsible for contributing the Land to the Joint Operation and GD Aoyuan is responsible for (i) funding the development, construction and management of the Land, (ii) maintaining the books and records of the Joint Operation and (iii) operating a designation bank account under the name of GD Gudou (the “Designated Bank Account”). The Joint Operation was subsequently discharged based on a civil ruling from the Court with an effective date of 19 May 2023. As at 31 December 2025, the Group recognised an amount due from the joint operator of RMB64,137,000 (2024: RMB70,333,000) that is net of impairment loss of RMB51,182,000 (2024: RMB44,975,000), settlement payable for discharge of the joint operation of RMB64,137,000 (2024: RMB64,137,000), and loan from the joint operator of RMB15,000,000 (2024: RMB15,000,000) and related interest payable of RMB8,625,000 (2024: RMB6,825,000) arising from the Joint Operation.

The auditor expressed a qualified opinion in the audit report dated 31 March 2025 to the consolidated financial statements for the year ended 31 December 2024, because of the limitation of scope in respect of lack of the financial information of the Joint Operation. As disclosed in Note 22 to the consolidated financial statements and aforesaid, further to the Court ruling in January 2026 the Group was able to obtain all bank statements of the Designated Bank Account of the Joint Operation from the PRC Bank and was able to verify the Group’s accounting records regarding the current account with GD Aoyuan prior to 2022 with the transaction activities in the Designated Bank Account and reconcile with the balances of the amount due from the joint operator in the Group’s consolidated financial statements as of 31 December 2025 and 2024. The auditor has thus obtained sufficient appropriate evidence regarding the amount due from the joint operation as at 31 December 2025 and have also performed additional audit procedures to verify the accuracy of the comparative information for 2024 related to this matter. As stated in Note 22 to the consolidated financial statements, having considered the previous Court’s rulings and the legal opinion from the Company’s PRC lawyer on the rights and obligations of each counterparty in relation to the Joint Operation, the Group has recognised impairment provision of amount due from the joint operator based on the Group’s entitlement of the Joint Operation as stated in the Joint Operation Agreements.

The impairment allowance of the amount due from the Joint Operator as at 31 December 2024 was determined under simplified expected credit loss approach under HKFRS 9 “Financial Instruments”, measuring lifetime expected credit losses of the amount due from the Joint Operator as at 31 December 2024. The expected credit loss calculation was using the probability-weighted formula incorporating: (i) probability of default informed by Joint Operator financial position, ongoing disputes, and lack of repayment history; (ii) loss given default reflecting recovery; (iii) exposure at default based on the aged outstanding balance; and (iv) forward-looking factors. As at 31 December 2024, the Board made provision of amount due from the Joint Operator after considering previous PRC Court’s rulings related to the Joint Operation and based on their assessment on the Group’s entitlement of the Joint Operation as stated in the Joint Operation Agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

The opinion from the Company's PRC lawyer regarding the Group's entitlement of the Joint Operation as stated in the Joint Operation Agreement (the "PRC Legal Opinion") was made available only in 2026. However, the provision of amount due from the Joint Operator as at 31 December 2024 had been made in the Group's consolidated financial statements for the year ended 31 December 2024 published on 31 March 2025 and the Auditor was unable to obtain sufficient appropriate audit evidence or perform alternative audit procedures to satisfy themselves as to the impairment assessment of the amount due from the Joint Operator as at 31 December 2024.

The Auditors have requested for the expected credit loss calculation of the amount due from the joint operator as at 31 December 2024. The Company has provided to the auditor, however, the PRC Legal Opinion was made available only in 2026 while the provision of amount due from the joint operator as at 31 December 2024 had been made in the Group's consolidated financial statements for the year ended 31 December 2024 published on 31 March 2025. The auditor was unable to obtain sufficient appropriate audit evidence or perform alternative audit procedures to satisfy themselves as to the impairment assessment of the amount due from the joint operator as at 31 December 2024.

The limitation of scope arisen from the lack of accounting records of the Joint Operation that affected the auditor's prior year opinion has been fully resolved. However, the auditor was unable to obtain sufficient audit evidence regarding the impairment assessment of the amount due from the joint operator as at 31 December 2024. Any adjustments to the figure as described above might have a consequential effect on the Group's result and cash flows for current and prior year, and related disclosures in the consolidated financial statements and the financial position of the Group as at 31 December 2024 presented as comparative figures in these consolidated financial statements and hence affect the comparability of the current year's figures and the corresponding figures.

Based on the discussion with the auditor, the Company understands that the audit issue has been resolved and shall not have carried forward effect for the next financial year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. HAN Jim Zhao Ping

Mr. HAN Jim Zhao Ping (韓兆平), aged 62, is the chairman and executive Director of the Group. He is primarily responsible for the overall management, strategic planning and development of our Group. Mr. Han has experience in international trade, corporate finance and restructuring and acquisitions. He previously worked in the New York branch of Li & Fung Group participating in the acquisition and reorganization of the group in the United States. Mr. Han joined Axis Na LLC, a private enterprise in the United States, as a financial controller in 2006 and has been the chief financial officer since 2014, and is mainly responsible for corporate finance and capital operation and management. Axis Na LLC is principally engaged in sourcing and trading of denim jeans for international brands. Mr. Han graduated from Brigham Young University in the United States with a master's degree in economics in 1991.

Mr. Han is the ultimate beneficial owner and sole director of JYH Hong Kong Limited, a substantial shareholder of the Company.

Mr. JIANG Guowei

Mr. Jiang, aged 61, is the chief executive officer of the Group. He is primarily responsible for the overall management, strategic planning and development of our Group. He obtained a degree from Shanghai University of Finance and Economics in 1985. In the past 20 years, Mr. Jiang has been a director of several companies, including a listed company in the People's Republic of China ("PRC"). Since September 2017, Mr. Jiang has been serving as a director at Jielin Technology Shanghai Co., Ltd. ("上海捷林工業科技股份有限公司"). Jielin Technology Shanghai Co., Ltd. is principally engaged in the business of design, manufacture and sale of underground foundation construction machinery in the PRC, the shares of which are currently listed on the National Equities Exchange and Quotations market in the PRC (stock code: 835526), where Mr Jiang is primarily responsible for its overall management, strategic planning and development. Since October 2002, Mr. Jiang has been serving as an executive director at Shanghai Jiayuanhai Enterprise Development Co., Ltd. ("上海嘉源海企業發展有限公司").

In accordance with the Listing Rules, Mr. Jiang had on 22 June 2025 obtained legal advice from a firm of solicitor qualified to advise on Hong Kong law as regards to the requirement under the Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange. He has confirmed that he understood his obligations as a director of a listed company.

Mr. HON Chi Ming

Mr. HON Chi Ming (韓志明) (formerly known as 韓明 and HAN Ming), aged 64, is the founder, co-chairman and executive Director of the Group. He is also the president of Guangdong Gudou. 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).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WU Weibin

Mr. WU Weibin (吳衛斌), aged 59, is our executive Director. Mr. Wu was mainly responsible for the overall management, strategic planning and development of our Group's resort and hotel operations. Mr. Wu has more than 35 years of experience in corporate management and financial management. From October 1989 to May 1993, Mr. WB Wu worked as a finance staff of a business hotel in Shanghai, the PRC. From June 1993 to September 2002, Mr. Wu was a finance manager of a property management company in Shanghai, the PRC. From October 2002 to March 2020, Mr. Wu was a deputy general manager of Shanghai Jiayuanhai Enterprise Development Company Limited* (上海嘉源海企業發展有限公司). Mr. Wu has been a director of Jielin Technology Shanghai Co., Ltd. (上海捷林工業科技股份有限公司) since September 2017 and has been appointed as the chairman since April 2020. Jielin Technology Shanghai Co., Ltd. is principally engaged in the design, manufacture and sale of underground foundation construction machinery in the PRC, the shares of which are currently listed on the National Equities Exchange and Quotations market in the PRC (stock code: 835526). Since March 2022, Mr. Wu has been a general manager of JYH Hong Kong Limited, a substantial shareholder of the Company. Mr. Wu received secondary vocational education at Shanghai Commercial School from September 1985 to May 1987.

Mr. WANG Jun

Mr. WANG Jun (王俊), aged 48, is the chief financial officer and the member of the compliance committee of the Company. He is also 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 East China University of Technology with a degree in accounting in January 2018. 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.

NON-EXECUTIVE DIRECTORS

Ms. HUANG Yi

Ms. Huang Yi (黃儀), aged 38, is our non-executive Director. Ms. Huang joined our Group in 23 December 2024. She is currently the general manager of Huizhou Hongtu Property Management Co., Ltd.* ("Huizhou Hongtu"). She joined Huizhou Hongtu in 2020, and was responsible for the management of daily operations of Huizhou Hongtu. Ms. Huang obtained a doctoral degree of Philosophy from Bangkokthonburi University in October 2023.

Ms. Huang is the daughter of Ms. Chen Xia. Ms. Chen Xia indirectly holds 100% interests in Sky Success Ventures Limited and New Ray Developments Limited, which in turn hold 133,496,000 shares and 133,228,000 shares of the Company respectively (representing approximately 9.61% and 9.59% of the issued share capital of the Company respectively). Both companies are substantial shareholders of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Cheuk Ho

Mr. CHAN Cheuk Ho (陳卓豪), aged 59, is our independent non-executive Director. Mr. Chan joined our Group on 11 December 2023. Mr. Chan graduated from Chinese University of Hong Kong with a bachelor's degree in business administration in 1989 and a master's degree in business administration from the University of Manchester in 2003.

Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has more than 20 years of experience in accounting and finance. He has been an independent non-executive director of EPS Creative Health Technology Group Limited (stock code: 03860) and Eagle Nice (International) Holdings Limited (stock code: 02368), both companies listed on the main board of the Stock Exchange, since July 2021 and November 2002, respectively. Mr. Chan is a company secretary of Green Leader Holdings Group Limited (stock code: 0061) and Super Robotics Holdings Limited (stock code: 08176), companies listed on the Stock Exchange with effect from October 2024 and June 2022 respectively.

He was an executive director of Pine Technology Holdings Limited (stock code: 01079), a company listed on the main board of the Stock Exchange from June 2017 to May 2022. He was an independent non-executive director and executive director of Wai Chun Bio Technology Limited (stock code: 00660), a company listed on the main board of the Stock Exchange from November 2020 to July 2022, and from July 2022 to March 2023, respectively. He was also an independent non-executive director of Wai Chun Group Holdings Limited (stock code: 01013) and Winshine Science Company Limited (stock code: 209), companies listed on the main board of the Stock Exchange from March 2022 to July 2022 and from June 2023 to February 2025 respectively. He was also an independent non-executive director of mF International Limited (stock code: MFI), a company listed on the Nasdaq from April 2024 to June 2025.

Ms. ZHANG Shaomin

Ms. ZHANG Shaomin (張少敏), aged 60, obtained a bachelor's degree in administration from the Huazhong University of Science and Technology in 2005. Ms. Zhang joined our Group on 11 March 2024.

Ms. Zhang has 35 years of experience in the financial industry and is familiar with the management framework, corporate governance, brand management, corporate strategic management and internal control systems of financial institutions. Before joining the Group, Ms. Zhang served as a director of two Chinese banks from 2018 to 2022. From 2011 to 2017, Ms. Zhang served as a director and vice president of Jiangmen Xinhui Rural Commercial Bank Co., Ltd. Ms. Zhang had been holding various positions in Chinese banks since 1987.

Mr. E Yau Lai

Mr. E Yau Lai (余耀來), aged 60, obtained a Diploma in Hotel Management Administration from the Swiss Hotel & Catering Colleges in 1988.

Mr. E has 32 years of cross-industry management experience in China, spanning sectors such as star-rated hotels, high-end real estate, international conventions and exhibitions, asset management, and the big health industry. Since 2017, Mr. E have been serving as a manager at Guotou ZhiXin (Shanghai) Industrial Development Co., Ltd.* (國投智新(上海)實業發展有限公司), leading the planning, design, and subsequent development of the Belt and Road Initiative project in Jakarta, Indonesia. Mr. E also took on the role of head of the high-end elderly care

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

industry development within the company. From 2015 to 2017, Mr. E served as an executive director at Shanghai XiaoDao Information Technology Co., Ltd.* (上海孝道信息技術有限公司), where Mr. E was primarily responsible for the network platform and driving its market promotion. From 2013 to 2015, Mr. E was the president of Qin He Yuan Co., Ltd.* (親和源股份有限公司), managing the Shanghai headquarters and overseeing seven independently operated projects.

In accordance with the Listing Rules, Mr. E had on 31 March 2025 obtained legal advice from a firm of solicitor qualified to advise on Hong Kong law as regards to the requirement under the Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange. He has confirmed that he understood his obligations as a director of a listed company.

COMPANY SECRETARY AND OTHER SENIOR MANAGEMENT

Mr. CHENG Kai Pui

Mr. Cheng Kai Pui (鄭啟培), aged 42, is company secretary and the authorised representative of the Company. He has approximately 19 years of experience in accounting and related financial management. Mr. Cheng worked in the audit department of Kreston CAC CPA Limited (previously known as Chan and Chan) from September 2006 to May 2011 with his last position as an assistant audit supervisor. Between May 2011 and August 2012, he worked as a senior accountant and subsequently as a finance manager in Icicle Production Company Limited. Between October 2012 and March 2013, he served as an audit manager of L & P CPA Limited. From May 2013 to July 2014, Mr. Cheng served as an assistant accounting manager of ASR Logistics Holdings Limited (now known as Beijing Sports and Entertainment Industry Group Limited) (stock code: 1803), a company listed on the Main Board of the Stock Exchange. Since September 2015, Mr. Cheng has served as the company secretary of SMIT Holdings Limited (stock code: 2239), a company listed on the Main Board of the Stock Exchange. Mr. Cheng obtained a bachelor of commerce degree in accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 2006. Mr. Cheng received a master of professional accounting degree from Hong Kong Polytechnic University in October 2012. He has been registered as a certified public accountant of the Hong Kong Institute of Certified Public Accountants since May 2010.

Ms. MAI Cuilan

Ms. MAI Cuilan (麥翠蘭), aged 45, 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.

DIRECTORS' REPORT

The Board is pleased to present its 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 (i) the operation and management of Gudou Hot Spring Resort and provision of consultancy and/or management services; and (ii) the development and sale of tourism properties in Guangdong Province.

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 2025 are set out in the consolidated statement of comprehensive income of this report.

BUSINESS OVERVIEW

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

During the Year, the Group recorded a turnover of approximately RMB53.2 million, representing a decrease of approximately 0.4% when compared to that of the previous year. Such change was mainly attributable to:

- (i) a decrease in revenue generated from the Group's hot spring resort and hotel operations business because the continuous weak demand in domestic consumption and real estate markets, and the recovery of the group's hot spring resort and hotel business has also been hampered; and
- (ii) an increase in revenue generated from the Group's tourism property development business due to the increase in units sold and delivered in Guanshanyue Apartments during the Year.

DIRECTORS' REPORT

Hot Spring Resort and Hotel Operations

The revenue of the Group from the hot spring resort and hotel operations and consultancy and/or management services business decreased by approximately 43.3% to approximately RMB25.6 million for the year ended 31 December 2025 as compared with that for the year ended 31 December 2024. Such decrease was mainly attributable to the decrease in room revenue, admission income, catering income, conference fee income and rental income.

The Occupancy Rate of the Group's seven themed hotel complexes decreased from approximately 26% for the year ended 31 December 2024 to approximately 18% for the Year. The average room rate of the Group's seven themed hotel complexes decreased from approximately RMB233.5 for the year ended 31 December 2024 to approximately RMB226.2 for the Year, primarily because of the keen market competition and the decline in the number of visitors.

Tourism Property Development

Revenue from the tourism property development business was approximately RMB27.6 million, representing an increase of approximately 231.7% from approximately RMB8.3 million for the year ended 31 December 2024. Revenue from the tourism property development business consists of the sales and delivery of Guanshanyue Apartments totalling RMB27.6 million.

During the Year, we sold and delivered 83 units (approximately 19.3% of the total saleable GFA) of Guanshanyue Apartments. We expect the sales and delivery of Gudou Yishui Mingting Apartments and Guanshanyue Apartments to continue in 2026.

Prospect

Looking ahead in 2026, the Company will substantiate its growth and create long-term Shareholder's value by focusing primarily on the hot spring resort and hotel operations and consultancy and/or management services business through the implementation of its core business strategies. The Company will continue to operate Gudou Hot Spring Resort and provide quality services to the Group's customers with a belief in the importance of health regimen to human beings and well-being of body and mind. Further, the Company will leverage its "Gudou" brand and explore opportunities to provide new services and approach new customers.

Tourism property development will continue to be the Company's focus in 2026. The Company expects the sale of Gudou Yishui Mingting Apartments and Guanshanyue Apartments to continue in 2026 and will continue to explore and develop new tourism property development projects both within and outside Gudou Hot Spring Resort.

DIRECTORS' REPORT

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 2025. These business objectives are in place with a view to generating long-term value to the Company and the Shareholders.

Business Objectives	Actual Business Progress up to 31 December 2025
<p>1. Continue to enhance the Group's position in the hot spring and hotel industry</p> <p>(i) Replicate the Group's business model to operate new hot spring resorts and hotels</p> <p>(ii) Provide management services to other hot spring resort owners</p>	<p>The Group's effort in respect of enhancing its position in the hot spring and hotel industry is still ongoing.</p> <p>(i) The Group will continue to select its potential target cities based on a number of factors, including, among others, local favourable governmental policies, local tourism development, infrastructure, locations or available land sites, regional economy, regional level of disposal income, cost of transportation and cost of energy supply.</p> <p>(ii) The Group will continue to explore new business opportunities to provide management services to hot spring resorts owned by third party owners. The investment and development team will continue to identify and evaluate potential business opportunities.</p>
<p>2. Plan to expand the tourism property development business of the Group</p>	<p>To prepare the Group for the expansion of the tourism property development business, the Directors have adopted standardised development procedures so as to achieve a more efficient use of capital and other resources, and to complete new tourism property projects on a timely manner while maintaining an effective control over costs.</p> <p>During the year, the Group sold and delivered 83 units of Guanshanyue Apartments. The Directors expect the sales of the jointly developing property projects, Gudou Yishui Mingting Apartments and Guanshanyue Apartments, to continue in 2026 and properties to be delivered to its customers from 2026 onwards.</p>

DIRECTORS' REPORT

Business Objectives

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

Actual Business Progress up to 31 December 2025

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

- The Second Yamen Gudou Kung Fu Hot Spring Festival in January 2025
- Gudou's First Tangerine Peel Clay Pot Chicken Festival ("古兜第一 陳皮窯雞節") in March 2025
- Gudou Dragon Boat Festival in May 2025
- Gudou Hot Springs 618 Carnival Festival ("古兜溫泉618狂歡節") in June 2025

Relationship with Stakeholders

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

DIRECTORS' REPORT

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

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

Principal risks and uncertainties

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

- (i) the Group's reliance on existing hot spring water sources represents a material risk to the Group's business if the mineral content and quality of the hot spring from such sources are adversely affected due to changes in the surrounding geological environment;
- (ii) the Group may not be able to obtain, extend or renew qualification certificates and relevant PRC government approvals for its tourism property development or other business activities;
- (iii) the Group may not be able to identify attractive acquisition opportunities, or make acquisitions on attractive terms or obtain sufficient financing for completion of such acquisitions;
- (iv) operations of the Group's hot spring resort involve risks of accidents, illnesses, environmental incidents which may negatively affect the perception of guests on the safety and hygiene of the Gudou Hot Spring Resort, which could in turn negatively impact the "Gudou" brand or the Group's reputation;

DIRECTORS' REPORT

- (v) if the Group is unable to obtain necessary capital resources or suitable sites for tourism property development in a timely manner and at a reasonable cost, its property portfolio and future profitability could be adversely affected; and
- (vi) the Group may not be able to complete the development or construction of its current or future projects on time or within budget which may be subject to the actual circumstances during the construction period including supply of skilled labour and unforeseen environmental problems.

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

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

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 consolidated financial statements.

No member of the Group had issued any shares, debentures, convertible securities, options, warrants or similar rights during the Period.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group endeavour to be a social responsible corporation by strictly complying with environmental protection laws and regulations, enhancing the sense of sustainability development among our employee, our business partners and customers, minimising the impact of the Group's business on the environment. Details are set out in the "Environmental, Social and Governance Report" of this annual report.

DIRECTORS' REPORT

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As stated in the section headed “Business – Non-compliance” of the Prospectus, although the Group (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, the Group extracted seawater hot spring in the absence of a relevant and applicable mining license. As advised by the Group’s 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 the Group’s knowledge and understanding, such bidding, auction or quotation process for the mining right in respect of the Group’s seawater hot spring resources has not been taken place in 2025, and is expected to take place in 2026. The Group’s PRC legal advisers also advised 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, more details of which are set out in the “Environmental, Social and Governance Report” in this report.

DIVIDENDS

The Board does not recommend payment of any final dividend in respect of the Year. During the Year, no final dividend was paid (2024: Nil).

RESERVES

As at 31 December 2025, the total reserves available for distribution to the Shareholders by the Company amounted to approximately RMB299.8 million (2024: RMB292.3 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 36 and note 42(a) to the consolidated financial statements.

DIRECTORS' REPORT

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 18 to the consolidated financial statements.

PROPERTIES HELD FOR SALE

The Group's properties held for sale, which are stated at lower of cost or net realisable value, were valued at approximately RMB101.5 million as at 31 December 2025 (2024: RMB120.6 million) as disclosed in note 24 to the consolidated financial statements.

INVESTMENT PROPERTIES

Movements in the investment properties of the Group during the Period are set out in note 20 to the consolidated financial statements. All of the Group's investment properties were revalued by independent professional property valuer as at 31 December 2025 adopting sales comparison approach. Details of the investment properties of the Group as at 31 December 2025 are set out in the Particulars of Properties on pages 197 to 198 of this 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 its existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SHARE OPTION SCHEME

The Company conditionally adopted the Scheme on 18 November 2016 which became unconditional upon the 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.

DIRECTORS' REPORT

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 available for issue under the Scheme is 35,817,400 Shares, representing 2.6% of the total number of Shares in issue as at the date of this report. The total number of Shares 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 then in issue, unless approved by Shareholders 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.

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.

DIRECTORS' REPORT

On 5 April 2017 and 20 June 2022 and 27 June 2024, the Company granted options (the "Options") under its Share Option Scheme. Details of the movement of the Options granted during the Period are as follows:

Grantees	Date of grant	Exercise price per share HK\$	Exercise period	Number of share options				
				Balance at 1 January 2025	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Balance as at 31 December 2025
Directors								
Mr Hon	5 April 2017	0.62 (Note 1)	Subject to the vesting schedule below	4,900,000	-	-	(4,900,000)	
	20 June 2022	0.1742 (Note 2)	20/06/2022-17/11/2026	-	-	-	-	
	27 June 2024	0.1 (Note 3)	27/6/2025-26/6/2032	11,000,000	-	(11,000,000)	-	-
Mr Wang Jun	5 April 2017	0.62 (Note 1)	Subject to the vesting schedule below	4,900,000	-	-	(4,900,000)	
	20 June 2022	0.1742 (Note 2)	20/06/2022-17/11/2026	-	-	-	-	
	27 June 2024	0.1 (Note 3)	27/6/2025-26/6/2032	11,000,000	-	(5,500,000)	-	5,500,000
Mr. Chan Cheuk Ho	27 June 2024	0.1 (Note 3)	27/6/2025-26/6/2032	2,000,000	-	-	-	2,000,000
Ms. Zhang Shaomin	27 June 2024	0.1 (Note 3)	27/6/2025-26/6/2032	2,000,000	-	-	-	2,000,000
				35,800,000	-	(16,500,000)	(9,800,000)	9,500,000
Consultant								
Mr Hui Chin Tong	5 April 2017	0.62 (Note 1)	Subject to the vesting schedule below	7,840,000	-	-	(7,840,000)	-
Employee in aggregate	5 April 2017	0.62 (Note 1)	Subject to the vesting schedule below	16,170,000	-	-	(16,170,000)	
	20 June 2022	0.1742 (Note 2)	20/06/2022-17/11/2026	9,717,400	-	-	-	
	27 June 2024	0.1 (Note 3)	27/6/2025-26/6/2032	23,100,000	-	(6,500,000)	-	26,317,400
				92,627,400	-	(23,000,000)	(33,810,000)	35,817,400

DIRECTORS' REPORT

The share options are subject to the vesting schedule below and are exercisable during each exercise period specified below:

Exercise Period	Number of underlying Shares subject to the share options:
5 April 2018 to 4 April 2025	25% of the total number of Shares fall to be issued on exercise of the share options
5 April 2019 to 4 April 2025	25% of the total number of Shares fall to be issued on exercise of the share options
5 April 2020 to 4 April 2025	25% of the total number of Shares fall to be issued on exercise of the share options
5 April 2021 to 4 April 2025	25% of the total number of Shares fall to be issued on exercise of the share options

Notes:

1. The closing price per Share as quoted on the Stock Exchange on the day immediately before the date of grant (i.e. as of 3 April 2017) was HK\$0.60.
2. The closing price per Share as quoted on the Stock Exchange on the date of grant (i.e. as of 20 June 2022) was HK\$0.17.
3. The closing price per Share as quoted on the Stock Exchange on the date of grant (i.e. as of 27 June 2024) was HK\$0.103.
4. Save as disclosed in the above table, no options were granted, exercised, forfeited and expired during the period covered by the above table.
5. The fair value of Options estimated at the date of grant using the binomial option pricing model was approximately HK\$2.7 million (equivalent to approximately HK\$0.06 each).
6. The significant inputs into the model were closing Share price of HK\$0.1 at the grant date, exercise price shown above, volatility of 69.3%, dividend yield of 0%, an expected option life of 7.98 years, annual risk-free interest rate of 3.75% and exercise multiples of 2.8 or 2.2. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices of the Company. The total expenses recognised in the unaudited consolidated statement of comprehensive income for the year ended 31 December 2025 amounted to approximately RMB1.0 million.
7. The variables and assumptions used in computing the fair value of the share options are based on Directors' best estimate. Change in variables and assumptions may result in changes in fair value of the Options.
8. The Options available for grant under the scheme mandate at the beginning and the end of the Period was 5,372,600 and 62,182,600 Options respectively, and there was no service provider sublimit set.
9. The number of Shares that may be issued in respect of Options granted under the Share Option Scheme during the Period divided by the weighted average number of shares of the relevant class in issue (excluding treasury shares) for the Period was 2.8%.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management of the Company are set out in the section headed "Biographical Details of Directors and Senior Management" of this report.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

There are no changes in Directors' biographical details required to be disclosed pursuant to Rule 17.50A of the GEM Listing Rules.

DIRECTORS' REPORT

LIST OF DIRECTORS

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

Executive Directors

Mr. Han Jim Zhao Ping (*Chairman*)

Mr. Jiang Guowei (*Chief Executive Officer*) (*Appointed on 23 June 2025*)

Mr. Hon Chi Ming (*Co-chairman*)

Mr. Wu Weibin

Mr. Wang Jun

Non-Executive Director

Ms. Huang Yi

Independent Non-Executive Directors

Mr. Chan Cheuk Ho

Mr. E Yau Lai (*Appointed on 1 April 2025*)

Ms. Zhang Shaomin

DIRECTORS' 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 2026 which are not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Group's 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. The Company has taken out Directors' and officers' liabilities insurance for such purposes for the Period.

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 14 and 15 to the consolidated financial statements.

DIRECTORS' REPORT

EMOLUMENT POLICY

The Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses related to the performance of the Company. The Group also reimburse them for expenses which are necessarily and reasonably incurred for providing services to the Group or executing their functions in relation to its operations. The Group review and determine the remuneration and compensation package of the Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and senior management and the performance of the Company. The Directors and employees of the Group may also receive options which may be granted under the share option scheme adopted by the shareholders of the Company on 18 November 2016. On 5 April 2017 and 20 June 2022 and 27 June 2024, the Company granted options to the Directors and certain employees, the details of which are set out in the section headed "Share Option Scheme" of this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2025, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings 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 required, pursuant to the minimum standards of dealing by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

DIRECTORS' REPORT

Long positions in the Shares

Name	Capacity/ Nature of interest	Interest in ordinary shares	Number of underlying shares held under equity derivatives	Percentage of the Company's issued share capital as at 31 December 2025	
				Total	
Mr Han Jim Zhao Ping	Interest of a controlled corporation (Note 3)	228,000,000	–	228,000,000	16.42%
Mr Hon	Interest of a controlled corporation (Note 3)	129,000,000	–	129,000,000	9.29%
Mr Wang Jun	Beneficial owner (Note 4)	15,000,000	5,500,000	20,500,000	1.48%
Mr Wu Weibin	Beneficial owner (Note 4)	10,500,000	–	10,500,000	0.76%
Mr Chan Cheuk Ho	Beneficial owner (Note 4)	–	2,000,000	2,000,000	0.14%
Ms Zhang Shaomin	Beneficial owner (Note 4)	–	2,000,000	2,000,000	0.14%

Notes:

- The letter "L" denotes the person's long position in the Shares.
- The percentage of the Company's issued share capital is based on the 1,388,800,767 Shares issued as at 31 December 2025.
- 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 108,500,000 Shares. By virtue of the SFO, Mr. Hon is deemed to be interested in all the Shares held by Harvest Talent.
- These underlying shares of the Company held under equity derivatives represented the share options (being regarded for the time being as unlisted physically settled equity derivatives) granted by the Company under the Scheme. Particulars of these share options and their movements during the year ended 31 December 2025 are set out in the section headed "Share Option Scheme" of this report.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at 31 December 2025, 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 <i>(Note 1)</i>	Number of underlying shares held under equity derivatives	Total	Percentage of the Company's issued share capital as at 31 December 2025 <i>(Note 2)</i>
JYH Hong Kong Limited	Beneficial owner	228,000,000	–	228,000,000	16.42%
Mr. Han Jim Zhao Ping	Interest of a controlled corporation	228,000,000	–	228,000,000	16.42%
Sky Success Ventures Limited	Beneficial owner	133,496,000	–	133,496,000	9.61%
New Ray Developments Limited	Beneficial owner	133,228,000	–	133,228,000	9.59%
Ms Chen Xia	Interest of a controlled corporation	266,724,000	–	266,724,000	19.21%
Li Song Foundation Company Limited	Beneficial owner	126,500,000	–	126,500,000	9.11%
Mr. Li Chao Wang	Interest of a controlled corporation	159,000,000	–	159,000,000	11.45%
Mr. Yuen Kong Chuk	Beneficial owner	209,500,000	–	209,500,000	15.08%
Harvest Talent	Beneficial owner	108,500,000	–	108,500,000	7.81%
Mr. Hon	Interest of a controlled corporation	129,000,000	–	129,000,000	9.29%

DIRECTORS' REPORT

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. The percentage of the Company's issued share capital is based on the 1,388,800,767 Shares issued as at 31 December 2025.

Save as disclosed above, as at 31 December 2025, the Company had not been notified by any person (other than Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

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 the then 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 its controlling shareholders the annual confirmation that they and their respective close associates have complied with the terms of those non-competition undertakings during the Period and the independent non-executive Directors have reviewed the compliance by the controlling shareholders of the Company with the deed of non-competition for that period.

On 19 December 2024, Harvest Talent and JYH entered into a sale and purchase agreement entered into a sale and purchase agreement, pursuant to which Harvest Talent agreed to sell and JYH agreed to purchase, 228,000,000 Shares. The first batch of 140,000,000 Shares have been transferred to JYH on 19 December 2024, and the second batch of 88,000,000 Shares have been transferred to JYH on 14 January 2025. As such, Mr. Hon and Harvest Talent ceased to be the controlling shareholders of the Company since 19 December 2024.

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.

DIRECTORS' REPORT

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.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers collectively accounted for approximately 18.0% of its total turnover for the Period (2024: approximately 34.5%) and its largest customer accounted for approximately 10.8% of the Group's total turnover for the Period (2024: approximately 16.7%).

The Group's five largest suppliers accounted for approximately 25.2% of its total purchases for the Period (2024: approximately 24.3%) and its largest supplier accounted for approximately 11.1% of the Group's total purchases for the Period (2024: approximately 9.2%).

None of the 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 its five largest customers or its 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 41 to the Group's consolidated financial statement. 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.

DIRECTORS' REPORT

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 had no donation (2024: Nil).

EVENTS AFTER THE REPORTING PERIOD

There is no material event undertaken by the Company or by the Group subsequent to 31 December 2025 and up to the date of this report.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2025 have been audited by Rongcheng (Hong Kong) CPA Limited and have been reviewed by the audit committee of the Company.

A resolution for the re-appointment of Rongcheng (Hong Kong) CPA Limited 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

Jiang Guowei

Executive Director

Hong Kong, 27 March 2026

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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 continuing growth of the Group and for safeguarding and maximising Shareholders' interests.

During the Period, the Company has complied with the code provisions set out in the CG Code as may be applicable. In order to maintain good corporate governance and fully comply with such code provision, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer of the Company 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 during the Period regarding securities transactions by Directors.

BOARD OF DIRECTORS

Board composition and responsibilities

Our Board consists of nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors.

Executive Directors

Mr. Han Jim Zhao Ping (*Chairman*)

Mr. Jiang Guowei (*Chief Executive Officer*) (Appointed on 23 June 2025)

Mr. Hon Chi Ming (*Co-chairman*)

Mr. Wu Weibin

Mr. Wang Jun

Non-Executive Director

Ms. Huang Yi

Independent Non-Executive Directors

Mr. Chan Cheuk Ho

Ms. Zhang Shaomin

Mr. E Yau Lai (Appointed on 1 April 2025)

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. There is no relationship, including financial, business, family or other material/relevant relationship(s) between members of the Board.

CORPORATE GOVERNANCE REPORT

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 three years. 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 for the Period.

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' duties, operations of the board and roles of the committees	Attending training session relevant to directors' duties, operations of the board and roles of the committees
Executive Directors		
Mr. Han Jim Zhao Ping	✓	✓
Mr. Jiang Guowei (<i>Note 1</i>)	✓	✓
Mr. Hon Chi Ming	✓	✓
Mr. Wu Weibin	✓	✓
Mr. Wang Jun	✓	✓
Non-executive Directors		
Ms. Huang Yi	✓	✓
Independent Non-executive Directors		
Mr. Chan Cheuk Ho	✓	✓
Mr. E Yau Lai (<i>Note 2</i>)	✓	✓
Ms. Zhang Shaomin	✓	✓

Notes:

1. Mr. Jiang Guowei was appointed as an executive director on 23 June 2025.
2. Mr. E Yau Lai was appointed as an independent non-executive director on 1 April 2025.

CORPORATE GOVERNANCE REPORT

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).

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 and half-yearly 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 nonexecutive Directors, being Mr. Chan Cheuk Ho, Ms. Zhang Shaomin and Mr. E Yau Lai. Mr. Chan Cheuk Ho is the chairman of the audit committee.

The audit committee held 2 meetings during the Period, at which all committee members were present. The summary of key work done by the committee during the Period is set out as follows:

- reviewed the annual and interim results of the Group and recommended the same to the Board for approval; and
- reviewed and assessed the adequacy and effectiveness of the risk management and internal control systems.

There was no disagreement between the Board and the audit committee regarding the appointment of external auditor.

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 one executive director and three independent non-executive Directors, being Mr. Hon Chi Ming, Mr. Chan Cheuk Ho, Mr. E Yau Lai and Ms. Zhang Shaomin. Ms. Zhang Shaomin is the chairlady of the nomination committee.

CORPORATE GOVERNANCE REPORT

The Board recognises the importance of 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.

The Board has approved and adopted a nomination policy on 31 March 2025 (the “Nomination Policy”), a summary of which is set out below:

Objectives

The Nomination Policy aims to:

- set out the criteria and process in the nomination and appointment of Directors;
- ensure that the Board has a balance of skills, knowledge, experience and diversity of perspectives appropriate to the Company; and
- ensure the Board continuity and appropriate leadership at Board level.

Selection Criteria

The nomination committee shall examine the election criteria and procedures and the term of office of the Directors in accordance with relevant laws and regulations and the provisions of the Articles while taking into consideration of the actual circumstances of the Company.

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- character and integrity.
- qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Diversity Policy that are relevant to the Company’s business and corporate strategy.
- any measurable objectives adopted for achieving and implementing the diversity policy of the Board.
- requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- any potential contributions the candidate can bring to the Board in terms of qualifications, skills, knowledge, experience, independence and gender diversity.

CORPORATE GOVERNANCE REPORT

- willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the nomination committee from time to time for nomination of directors and succession planning.

Nomination Process

The procedures for the election and appointment of directors are set out as follows:

- the nomination committee shall actively carry out exchanges with relevant departments of the Company in examining the Company's demand for directors and prepare written materials;
- the committee may search for candidates for directors on an extensive scale in the Company, its subsidiaries and the job market;
- the committee shall gather information of the preliminary candidates, including occupation, education, job title, detailed work experience and all part-time jobs, and prepare written materials;
- the committee shall seek the consent of the nominees on the nomination or otherwise such persons shall not be considered as candidates for directors;
- the committee shall convene a meeting to conduct a qualification check of the preliminary candidates based upon the appointment criteria for directors;
- the committee shall submit to the board of directors its recommendations on candidates for directors and relevant materials in fifteen days prior to the election of new directors;
- the committee shall implement other follow-up work in accordance with the decisions and feedback of the board of directors.

CORPORATE GOVERNANCE REPORT

Regular Review of the Nomination Policy

The nomination committee will conduct regular review on the structure, size and composition of the Board and the Nomination Policy.

During the Period, the nomination committee held 2 meeting, at which all committee members were present. The summary of key work done by the committee during the Period is set out as follows:

- reviewed and assessed the adequacy and effectiveness of the risk management and internal control systems.
- reviewed the structure and composition of the Board, as well as policy of nomination of Directors in light of, among other things, the diversity criteria set out in the Company's Board diversity policy.
- Set out the criteria and process in the nomination and appointment of Directors.

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 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 two independent non-executive Directors, being Mr. Chan Cheuk Ho, Ms. Zhang Shaomin and Mr. E Yau Lai. Ms. Zhang Shaomin is the chairlady of the remuneration committee.

The remuneration committee is authorised by the Board to determine (subject to approval by the Board), the remuneration payable to executive 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.

During the Period, the remuneration committee held 2 meeting, at which all committee members were present. The summary of key work done by the committee in respect of the Period is set out as follows:

- reviewed the policy for the remuneration and assessed performance of executive Directors; and
- reviewed the remuneration payable to Directors and senior management.

CORPORATE GOVERNANCE REPORT

Compliance Committee

Our Company established a compliance committee on 18 November 2016 which comprises Mr. Li Yanan (our PRC legal consultant) as chairman, and Mr. Wang Jun (our chief financial officer). 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. 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. Mr. Wang has knowledge and experience in compliance and internal control gained from his prior practice in accounting and his role as our Company's chief financial officer.

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.

During the Period, the compliance committee held 12 meetings, at which all committee members were present. The summary of key work done by the committee in respect of the Period is set out as follows:

- reviewed compliance and internal control procedures and implementation; and
- reviewed monthly reports from different department heads of our Group and the proposed improvement and remedial measures.

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;

CORPORATE GOVERNANCE REPORT

- (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.

The Board reviewed the Company's policies and practices on corporate governance and legal and regulatory compliance, training and continuous professional development participations of the Directors, as well as the Company's compliance with the CG Code.

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.

During the Period, the Board held 5 meetings and 2 Shareholders' meeting (being the annual general meeting and one extraordinary general meeting of the Company) was held. The Directors' attendance records in respect of meetings held during the Period are shown as follows:

Attendance Record of Meetings held during the Period

	Board	Audit Committee	Nomination Committee	Remuneration Committee	Compliance Committee	Corporate Governance Functions	Extraordinary General Meeting	Annual General Meeting
Number of total meeting	5	2	2	2	12	2	1	1
Mr. Han Jim Zhao Ping	5/5	-	-	-	-	2/2	1/1	1/1
Mr. Jiang Guowei	1/1	-	-	-	-	1/1	N/A	1/1
Mr. Hon Chi Ming	5/5	-	2/2	-	-	2/2	1/1	1/1
Mr. Wu Weibin	5/5	-	-	-	-	2/2	1/1	1/1
Mr. Wang Jun	5/5	-	-	-	12/12	2/2	1/1	1/1
Ms. Huang Yi	5/5	-	-	-	-	2/2	1/1	1/1
Mr. E Yau Lai	3/3	1/1	1/1	1/1	-	1/1	N/A	1/1
Mr. Chan Cheuk Ho	5/5	2/2	2/2	2/2	-	2/2	1/1	1/1
Ms. Zhang Shao Min	5/5	2/2	2/2	2/2	-	2/2	1/1	1/1

Notes:

1. Mr. Jiang Guowei was appointed as an executive director on 23 June 2025.
2. Mr. E Yau Lai was appointed as an independent non-executive director on 1 April 2025.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

During the year ended 31 December 2025, the remuneration paid or payable to the Company's auditors in respect of the audit services provided by them to the Group was RMB1,000,000.

COMPANY SECRETARY

Mr. Cheng Kai Pui, the Company's company secretary, has undertaken no less than 20 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 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.

CORPORATE GOVERNANCE REPORT

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.

The Group has conducted an annual review on whether there is a need for an internal audit department. 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 Maple Corporate Advisory 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.

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.

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").

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.

CORPORATE GOVERNANCE REPORT

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.

DIVIDEND POLICY

The Board has approved and adopted a dividend policy on 31 March 2025 (the "Dividend Policy"), a summary of which is set out below:

It is the policy of the Board that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value.

The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of shareholders;
- any restrictions on payment of dividends by the Company to its shareholders or by its subsidiaries to the Company;
- taxation consideration; and
- any other factors that the Board may consider relevant.

CORPORATE GOVERNANCE REPORT

The declaration and distribution of any dividends are also subject to compliance with applicable laws, regulations and the Articles. The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

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 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. No amendments were made to the constitutional documents of the Company during the Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD STATEMENT

Dear Stakeholders,

We are pleased to present our Environmental, Social and Governance (“ESG”) Report of the financial year 2025.

Our company is committed with ESG concerns as we understand that all of us and our next generation could be affected by ESG issues. Therefore, as an influential listing company, the Board has responsibility for evaluating and identifying the Group’s ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. It makes sense, therefore, that a strong ESG motion can create value for the Group’s development. We put the sustainable development of our business as the top priority of our long-term development goals, and incorporate climate-related issues and ESG elements into our long-term business strategic plan. We have set clear short-term and long-term sustainable development goals to achieve ongoing emission and resources consumption reduction progress according to the Group’s performance after implementing the reduction initiatives and measures.

Under ESG, in Environmental aspects, we include the energy efficiency our company takes in and the waste we discharge, the resource we need, and also encompasses carbon emissions and climate change. The Social aspects, we address relevant elements of our company including, gender diversity, labour relations, discrimination, health and safety. In Governance, this is how we control, implement and review our related internal systems, policies, action plans and related measures. It is vitally important on how we adopt in order to govern itself and make effective decisions in order to comply with the relevant laws and regulations, and meet the needs of external stakeholders. We believe that our engagement in ESG will be highly beneficial to the strategic development on ESG and sustainability policies which helps to create a better future.

The Board will continue to review and monitor the Group’s ESG performance, and provide consistent, comparable and reliable ESG information annually.

Yours faithfully,

For and on behalf of the Board

Han Jim Zhao Ping

Chairman of the Board

Hong Kong, 27 March 2026

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Gudou Holdings Limited (The “Company” together with its subsidiaries, hereinafter referred to as the “Group”, “Gudou” or we or us) is delighted to publish the Environmental, Social and Governance Report (the “Report”) to summarise the Group’s policies, measures and performance on the key ESG issues.

Reporting Period

The Report illustrates the overall performance of the Group regarding the environmental and social aspects from 1st January 2025 to 31st December 2025 (the “Period”, “FY2025”).

Reporting Scope and Boundary

The Report discloses related policies and initiatives for the core and material businesses of hot spring and hotel services in Jiangmen, Guangdong, People’s Republic of China (“PRC”).

The Report discloses key performance indicators (“KPIs”) of the corporate office (“office”) and the representative project(s) (“project(s)”) which contributed over 90% of the Group’s total annual revenue. While the Report does not cover all the Group’s operations and the Joint Ventures (“JVs”) unless specified, the Group aims to improve its internal data collection mechanism and gradually expand the scope of the disclosure.

REPORTING BASIS AND PRINCIPLES

The Report is prepared in accordance with the ESG Reporting Guide (the “ESG Guide”) as set out in Appendix C2 to the Rules Governing the Listing of Securities (the “Growth Enterprise Market (“GEM”) Board Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and based on the four reporting principles – materiality, quantitative, balance and consistency:

- “Materiality” Principle:

The Group determines material ESG issues by stakeholder engagement and materiality assessment. Details are explained in the section headed “Materiality Assessment”.

- “Quantitative” Principle:

Information is presented with quantitative measure, whenever feasible, including information on the standards, methodologies, assumptions used and provision of comparative data.

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- “Balance” Principle:

The Report identifies the achievements and challenges faced by the Group.

- “Consistency” Principle:

The ESG Report will continue to use consistent methodologies for meaningful comparisons in the following years unless improvements in methodology are identified.

The Report has complied with all “comply or explain” provisions outlined in the ESG Guide.

The information contained herein is sourced from internal documents and statistics of the Group, as well as the combined control, management and operations information provided by the subsidiaries in accordance with the Group’s internal management systems. A complete content index is appended to the last section hereof for quick reference. The Report is prepared and published in both Chinese and English at the Stock Exchange’s website (www.hkexnews.hk) and the Company’s website (<http://www.gudouholdings.com>). In the event of contradiction or inconsistency between the Chinese version and the English version, the English version shall prevail.

Review and Approval

The Board of Directors acknowledges its responsibility for ensuring the integrity of the ESG Report and to the best of their knowledge, this Report addresses all relevant material issues and fairly presents the ESG performance of the Company. The Board of Directors confirms that it has reviewed and approved the Report. The Report was reviewed and approved by the board (the “Board”) of directors (the “Directors”) of the Company on 27 March 2026.

Feedback

The Group respects your view on the Report. Should you have any opinions or suggestions, you are welcome to share with the Group at:

Address: Room 1612, 16th Floor, Austin Tower, 22-26 Austin Avenue, Tsimshatsui, Kowloon, Hong Kong

Telephone: (852) 3628 2675

Email: ir@gudouintl.com.hk

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE GROUP

The issued shares of the Company are listed on GEM (Stock Code: 8308). The business of the Group was originally founded on our belief in the importance of health regimen to human beings and well-being of body and mind and the vision to improve quality of life of the general public.

The Group develops the health and wellness business with a 20-year renowned brand “Gudou” through management of hot spring resorts and urban hotels, provision of consultancy services to third-party resort and hotel operators and development and sales of tourism properties. The Group operates and manages hot spring resort with a mission to revitalise and re-energise the bodies, minds and spirits of our guests. The Gudou Hot Spring Resort is the flagship of the Group’s resort operation and a national AAAA-level tourist area located in Jiangmen City, Guangdong Province, the PRC. This integrated resort complex features a mixture of hot spring facilities, six themed hotels, F&B outlets, waterpark and ancillary leisure and recreational attractions. The Group also manages hot spring facilities of Xinhui Longxiang Valley Regimen Hot Spring Resort.

Along with hot spring resort and hotel operations, the Group develops and sells tourism properties including villas, apartments, studio flats, commercial units and carpark spaces. These properties are located in the vicinity of the Gudou Hot Spring Resort and are developed with an aim to enable the property owners to experience holistic living in a state of well-being.

GOVERNANCE STRUCTURE

The Board supports the Group’s commitment to fulfilling its environmental and social responsibility and has overall responsibility for the Group’s ESG strategy and reporting with the assistance of the ESG Working Group.

Board of Directors and ESG Working Group

- Oversees the ESG strategies, policies, objectives and targets
- Identify material environmental, social and governance matters through review and assessment of internal operations

Senior Management

- Advises and supports the Board on ESG matters, strategies, policies
- Overall management and monitoring of ESG performance and targets

Department Heads and Employees

- Take record and monitor ESG KPIs
- Implement ESG policies and related initiatives

The Board regularly reviews the Group’s ESG performance and examines and approves the Group’s annual ESG Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

Stakeholders' opinions are the solid foundation for the Group's sustainable development and success. The stakeholder engagement helps the Group to develop a business strategy that meets the needs and expectations of stakeholders, enhances the ability to identify risk and strengthens important relationships. The Group communicates with its stakeholders through various channels, shown as below.

Stakeholder	Communication Channel
Government and regulatory agency	<ul style="list-style-type: none">• Annual reports, interim reports, ESG Reports and other public information• Supervision and inspection
Shareholder and investor	<ul style="list-style-type: none">• Annual general meetings and other general meetings of shareholders• Company website• Press releases/announcements• Annual reports, interim reports, ESG reports and other public information
Employee	<ul style="list-style-type: none">• Training• Meetings• Performance evaluation• Survey
Customer	<ul style="list-style-type: none">• Fax, email and telephone• Meetings
Supplier/Subcontractor/ Business Partner	<ul style="list-style-type: none">• Meetings• Site visits• Survey• Training

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder

Communication Channel

Community or Non-governmental Organisations (NGOs)

- Sponsorship and Donation
- ESG reports

Media

- Enquiry mailbox

MATERIALITY ASSESSMENT

In preparing our ESG Report, we directly engaged with the following stakeholder groups as part of the materiality assessment process to identify and prioritise the issues to be covered in this Report that have a significant impact to the business and stakeholders.

Process

Stage 1 - Identification

A selection of ESG issues that may reasonably be considered important for the Group and its stakeholders from various sources, including listing rules requirement, industry trends and internal policies. 28 issues were identified and grouped into 4 categories: Environment, Employment, and Labour Practices Operating Practices and Community.

Stage 2 - Prioritisation

Conducted online surveys to rate the importance of each issue from the perspective of a stakeholder and the Group using a scale of 1 to 5. Developed the materiality matrix based on the scores of the surveys, set the threshold for materiality (i.e. score of average) and prioritised a list of sustainability issues.

Stage 3 - Validation

Management reviewed the materiality matrix and the threshold for materiality. ESG issues, with a score of average or above from the perspective of a stakeholder and the Group, were prioritised as the most important-sustainability issues for the Group to address and report on.

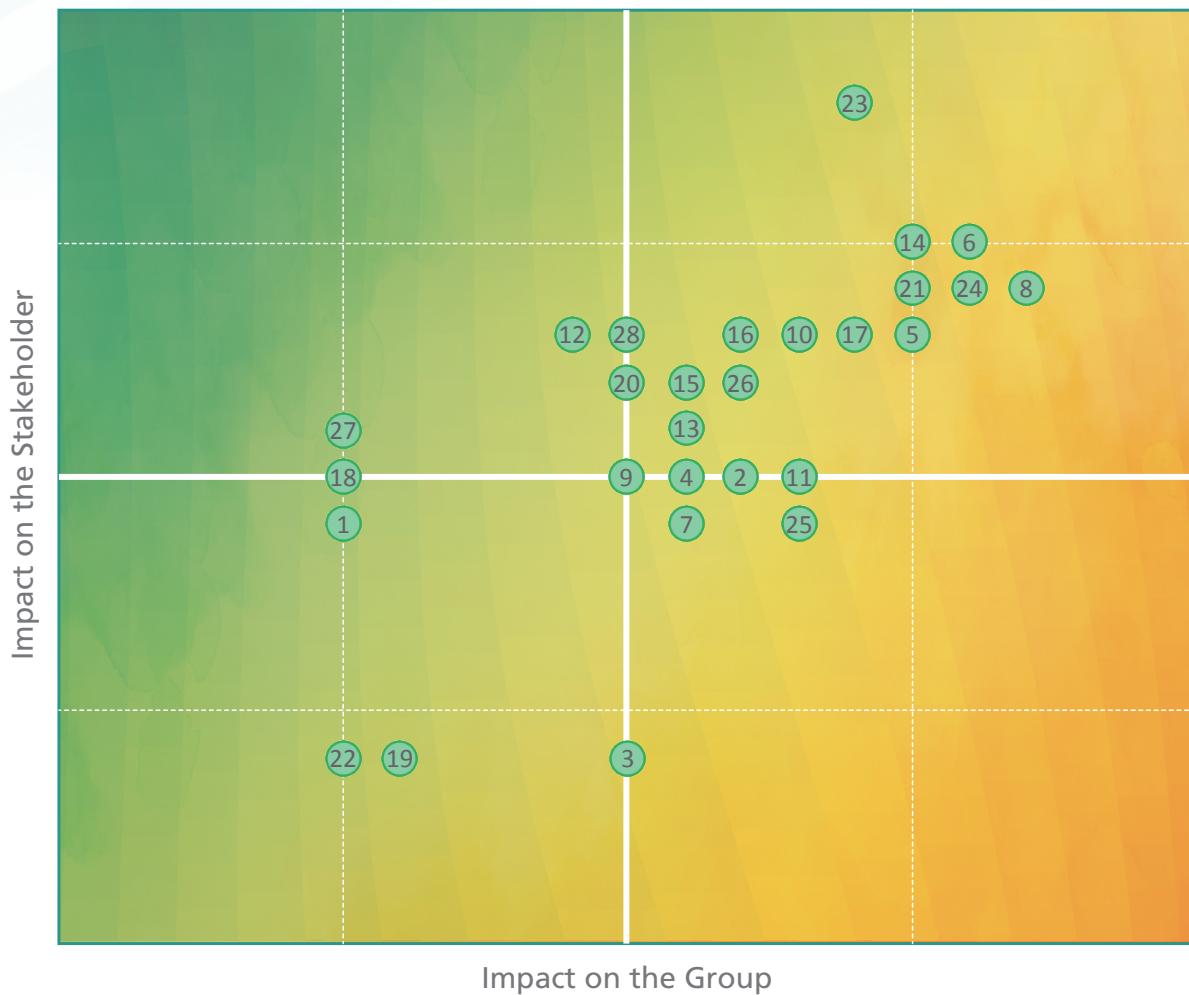
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Matrix

Based on the materiality matrix, we believe the top 10 pertinent sustainability issues which are material to both the Group and stakeholders include the following:

Energy Efficiency	Water Efficiency	Environmental Regulation Compliance	Climate Change	Staff Occupational Health and Safety
Prohibition of Child Labour and Forced Labour	Responsible Supply Chain Management	Customer Satisfaction	Safety of Services/Products	Quality of Services/Products

Materiality Matrix



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1	Air Emissions	11	Employment Practices	21	Customer Satisfaction
2	Greenhouse Gas (“GHG”) Emissions	12	Diversity and Equal Opportunities	22	Intellectual Property
3	Effluents Management	13	Anti-discrimination	23	Safety of Services/Products
4	Waste Management	14	Staff Occupational Health and Safety	24	Quality of Services/Products
5	Energy Efficiency	15	Staff Development and Training	25	Business Ethics
6	Water Efficiency	16	Prohibition of Child Labour and Forced Labour	26	Anti-corruption Training for Management and Employees
7	Use of Raw and Packaging Materials	17	Responsible Supply Chain Management	27	Contributions to the Society
8	Environmental Regulation Compliance	18	Environmental Friendliness on Products or Services Purchased	28	Communication and Connection with Local Community
9	Land Use, Pollution and Restoration	19	Compliance with Regulations on Marketing, Product and Service Labelling		
10	Climate Change	20	Customers’ Privacy and Confidentiality		

OUR ENVIRONMENT

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, 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. Guangdong Gudou was recognised as a “Green Mine” by the Department of Natural Resources of Guangdong Province in 2018 for its adoption of measures to control the disturbance to the surrounding environment to maintain sustainable development of mineral resources.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GROUP POLICIES RELATING TO ENVIRONMENTAL PROTECTION

As Gudou Hot Spring Resort and the Group's operations 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 and natural resources as well as to report on the environmental and social aspects of the Group's business operations, the Group has developed 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 aimed at reducing the environmental impacts arising from such aspects. These measures will be documented in our environmental protection policies and the related staff will be provided with suitable training, with EMR supervision and report to senior management from time to time to ensure effective implementation.

Emissions and Waste Generation

Air Emissions

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

Emission data of nitrogen oxides (NO_x), sulphur oxides (SO_x) and particulate matter (PM) are listed in the table below,

Air Pollutant ¹	Unit	2025	2024
Nitrogen oxides ("NO _x ")	kg	66.54	17.26
Sulphur oxides ("SO _x ")	kg	0.55	0.23
Particulate matter ("PM")	kg	6.93	1.45

We will continue to improve our internal data collection mechanism for a complete disclosure in the coming years.

¹ Only the emissions from petrol and diesel mobile consumption covered, and the estimation is based on "How to prepare an ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs" published by the Hong Kong Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Domestic waste: Paper, household wastes, food wastes from the Group’s hot spring resort and hotel operation business and other incidental wastes**

As part of the Group’s hot spring resort and hotel operation business, it generates non-hazardous domestic wastes from guest room amenities packaging such as paper, plastic bags and plastic bottles. It also generates household wastes from guests and food wastes from the catering and restaurant business in Gudou Hot Spring Resort.

Wastes generation from our operations are as follows:

Wastes	Handling Method	Unit	2025	2024
Non-hazardous wastes		tonnes	475.2	699.7
Domestic Wastes	Landfill	tonnes	475.2	699.7
Total		tonnes	475.2	699.7
Intensity	Approximate tonnes per million RMB² revenue		8.94	13.10

Our operations does not generate any hazardous waste as our business nature is mainly on managing and operating our hotel resorts and offices; the Group does not own any factories, which could be seen as a major source of hazardous wastes. Besides, our hot spring uses natural hot water source which does not include any addition of manmade substances, therefore it does not generate hazardous waste. Compare with the data disclosed for the year ended 31 December 2024 (“FY2024”), there was an decrease in non-hazardous wastes generation during the Period due to the promotion and awareness of environmental protection. To the best of our Directors’ knowledge, the Group was not aware of any significant amount of wastewater and hazardous wastes generated in our hotel resorts and offices. Looking ahead, the Group will continue refining its wastes reduction measures and disclose relevant results where appropriate. Relevant local government authorities will perform sample testing regularly to ensure the parameters following the wastewater discharge license if needed. We will also seek continuous improvement in waste and wastewater management performance following the instructions or recommendations of improvements from the government authorities.

Domestic wastes discharged by Gudou Hot Spring Resort in ordinary means are in compliance with the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》).

² The Group’s annual revenue was approximately RMB53.4 million and RMB53.2 million in FY2024 and during the Period respectively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group's waste management strategy focuses on legal disposal, reduction, recycle 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 sorted and collected according to classifications and are delivered to a recycling vendor in the Xinhui District where appropriate.

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

GHG are principally emitted from the use of electricity and fuels derived from fossil fuels within Gudou Hot Spring Resort. Catering and restaurant business of our Gudou Hot Spring Resort also generate smokes and fumes. GHG are also derived from vehicles of guests who visit our Gudou Hot Spring Resort. The Group owns 58 motor vehicles which are used for transportation of personnel and other business uses. The Group has adopted the use of electrical carts for the transportation within Gudou Hot Spring Resort of 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.

The below table sets out the key statistics relating to GHG emissions³.

GHG Emissions

In response to the community's gradual concern on GHG emissions, climate changes and other related issues, the Group is committed to implementing and maintaining a high standard of GHG management. The GHG emissions³ are as follows:

	Unit	2025	2024
Scope 1 ⁴	tonnes CO ₂ -equivalent	134.1	193.6
Scope 2 ⁵	tonnes CO ₂ -equivalent	2,805.3	3,958.0
Total	tonnes CO₂-equivalent	2,939.4	4,151.6
Intensity	tonnes CO₂-equivalent per million RMB² revenue	55.3	77.7

³ 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.

⁴ Scope 1: Direct emission from the business operations owned or controlled by the Group, such as emissions from diesel and petroleum burnt on site.

⁵ Scope 2: The "indirect energy" emissions from the internal purchased electricity consumption by the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Scope 1 emission from fossil fuel consumption in our operations contributed to around 4.6% of our total emissions, including liquefied petroleum gas, diesel and petroleum consumption for our generators and mobile vehicles. Whilst Scope 2 emission from electricity consumption in our operations contributed to around 95.4% of our total emissions which is the major source of our GHG emission. There was an approximately 29.2% decrease in the total amount of GHG emission during the Period compared to FY2024. The Group will continue to assess, record and disclose its GHG emissions annually. The Group will continue to refine the data collection system and develop reduction strategies if appropriate based on the projection of data in the coming years.

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, 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 2,805.3 tonnes (2024: approximately 3,958 tonnes) of carbon dioxide 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.

- **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:

- Utilising electric vehicles within Gudou Hot Spring Resort as opposed to fossil fuel-powered vehicles so as to reduce emissions from sources.
- Develop better understanding on the Group's suppliers and subcontractors as well as 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.
- Arranging periodic environmental compliance inspections to ensure the Group's compliance with the applicable PRC environmental laws relating to the Group's operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

On the other hand, 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.

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

ENVIRONMENTAL COMPLIANCE

After the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法》) came into effect on 1 January 2018, the Group is required to pay environmental pollution tax for pollutants directly discharged to the environment, such as air pollutants and water pollutants. During the Period, the Group complied with the following laws and regulations:

- Environmental Protection Law of the PRC (《中華人民共和國環境保護法》),
- Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》),
- Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》),
- Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》),
- Prevention and Control of Noise Pollution Law of the PRC (《中華人民共和國噪聲污染防治法》),
- Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (《城鎮污水處理廠污染物排放標準》),
- Water Law of the PRC (《中華人民共和國水法》),
- Mineral Resources Law of the PRC (《中華人民共和國礦產資源法》) and
- Other relevant environmental laws and regulations in all material respects.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Period, to the best of our Directors' knowledge, the Group was not aware of significant non-compliance issues regarding emission, noise, waste disposal and sewage discharge. We believe 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. To avoid any occurrences of non-compliance in future, we will continue to uphold the environmental awareness.

ENVIRONMENTAL IMPACTS FROM OUR OPERATIONS AND MITIGATION MEASURES

The hot spring water after use will discharge into the Huangmao Sea (黄茅海), we ensure the compliance of the discharge sticks to the relevant PRC laws and regulations by accepting local environmental protection department to perform sample testing regularly on our water discharge. In addition, 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 minimise the impact of the Group's water discharges on the surrounding environment, the Group has 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. Approximately 1,683 thousand tonnes of sewage were purified during the Period.

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.

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 Consumption and Efficiency

Freshwater is also an important resource on earth. The operation of Gudou Hot Spring Resort involves high water consumption as it needs to serve 89 public pools and 65 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). Freshwater hot spring resources can be replenished naturally by rainwater that flows underground and other underground water.

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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 1,683 thousand tonnes.

	Unit	2025	2024
Domestic Water	Thousand tonnes	1,283.9	1,296.6
Hot Spring Water	Thousand tonnes	398.9	335.0
Total	Thousand tonnes	1,682.8	1,631.6
Intensity	Approximate thousand tonnes per million RMB² revenue	31.6	30.6

The water consumption of the Group has increased due to the business operations grew during the year, there was an increased on the number of guests and customers visiting our hotel resorts which also increased the amount of water consumption in domestic water. Looking ahead, the Group will keep reviewing and evaluating the existing usage for further planning of water-saving measures.

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.

Energy Efficiency

Electricity is necessary for the operation of hotel and other ancillary facilities within Gudou Hot Spring Resort and the tourism property development, it is the main source of energy used. 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, lighting and air conditioning facilities in the public area of Gudou Hot Spring Resort. For example,

- During summer time, lightings in office may only be switched on from 7 pm to midnight while during winter time, lightings in office may be switched one hour earlier.
- In addition, energy consumption efficiency of electrical appliances will also be taken into account when purchases are being considered.

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To monitor the usage of electricity effectively, data of electricity usage is collected and analysed in the monthly meeting in respect of the nature and amount of electricity usage. Since 2015, Gudou Hot Spring Resort is illuminated with fluorescent lamps or other energy efficient lights (which generally utilise 1,500 kWh) as opposed to traditional lights (which generally utilise 2,600 kWh).

The Group's energy utilisation data during the Period is as follows:

Type of Energy ⁶	Unit	2025	2024 ⁷
Diesel	MWh	296.7	325.2
Petroleum	MWh	80.7	153.0
Liquefied Petroleum Gas ("LPG")	MWh	–	605.6
Electricity	MWh	6,484.8	6,487.5
Total	MWh	6,862.2	7,571.3
Intensity	MWh per million RMB² revenue	129.0	141.8

During the Period, energy consumption had decreased around 14.3% due to the business operations declined, which also decreased the amount of fossil fuels consumption of our operation.

Paper and Packaging Materials

The Group does not consider the consumption of packaging materials as material and its operations do 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. Paper waste is the major source of our non-hazardous waste in the Hong Kong office. During the Period, the Group's Hong Kong office continues to reduce its paper consumption for printed materials distributed to shareholders due to the Group's adoption of more cautious approach in estimating the number of copies of printed materials for distribution.

⁶ Diesel and petrol data is presented in terms of MWh and is based on conversion factors sourced from the Energy Statistics Manual issued by the International Energy Agency, "How to prepare an ESG report? – Appendix II: Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange.

⁷ Revision of energy utilization calculation and intensity for FY 2023.

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Papers, on the other hand, is also consumed in our hotel resort offices for our clerical work. To facilitate efficient paper usage, the Group has established the following measures,

- 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 viewed 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.

Climate Change

Climate change is one of the biggest global challenges faced by the society nowadays, and we must act now for our climate and our communities. In recent years, extreme weather, such as strong winds and heavy rainfall, as well as tides and floods, have become the focus of news. Logistics and supply chains are particularly vulnerable. Heavy rainfall, rising tides, and floods can cause serious damage to assets such as resorts, buildings, warehouses, and goods in storage, resulting in financial losses. Although such incidents are beyond everyone’s control, the Group believes that all stakeholders should work together to address climate change, which will also be regarded as one of the most significant risks to the world in the next five years.

The global economic volatility has presented many new challenges this year, but it has not changed our commitment to climate action. The pace of change has expedited around the world, underscoring the importance for us to accelerate its transition to a low-carbon economy.

The Group essentially plans to respond to local government initiatives and follow local governments’ emission reduction requirements. Our target is to achieve carbon neutrality by 2050 in Hong Kong region and by 2060 in PRC. We are committed to continuously improving our energy efficiency, applying professional knowledge to improve on-site efficiency and maintain efficient management support, in order to safeguard the Group’s reputation.

Over the years, we have been grasping different opportunities to expand our business, accelerate the transformation and make the Group smarter, more environmentally friendly, and safer for employees and users (such as automation, and utilising digital platforms for online conference to reduce carbon footprint in transportation). These measures have made our facilities becoming more sustainable and fulfil our commitment to resource management and environmental protection.

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Action on Climate Change

Action on climate change is embedded in the Group's business strategy and reflected in the governance and management processes of the Group. The index table below outlines where to find the core elements of the Group's response to the HKEX recommendations on ESG (including climate-related issues).

Governance

- Setup ESG Working Group and regular meeting
- Integrate ESG topics (including climate-related issues) in corporate decision making

Strategy

- Understanding climate risks and identify risk and opportunities in low-carbon transition

Risk Management

- ESG Working Group to discuss about ESG risks
- Preparing for the transition to a low-carbon economy
- Preparing and setup measures to physical climate risks

Metrics and Targets

- Investing in transition enablers
- Creating value in the low-carbon transition

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The Group has identified a series of climate-related risks and opportunities relevant to our assets and services which are significant to us. These transition and physical risks are discussed in the sections below.

	Risks	Opportunities
Short term (0 – 1 year)	<ul style="list-style-type: none"> Physical risks from extreme weather events Securing the skills and capability required to implement climate strategy 	<ul style="list-style-type: none"> New services to help communities decarbonise Technologies to enhance the performance of operation and energy efficiency
Medium term (5 years)	<ul style="list-style-type: none"> Transition risks – Implementation of low-carbon policies for the operation Transition risks – Supply and demand for certain commodities, products and services may change as climate related risks and opportunities are increasingly taken into account 	<ul style="list-style-type: none"> Transitioning to low carbon economy market to meet government decarbonisation targets Opportunities arising from transition enablers
Medium to long term (5+ years)	<ul style="list-style-type: none"> Transition risks – Potential new regulation and policies Transition risks – Development and use of emerging technologies may increase the operational costs, and reduce the Group’s competitiveness Transition risks – the Group’s reputation may be impacted due to changing customer or community perceptions of the Group’s contribution to or detracting from the transition to a lower-carbon economy 	<ul style="list-style-type: none"> Transitioning to low carbon economy market to meet government decarbonisation targets Opportunities arising from transition enablers To work as a pioneer in the industry and build up the relevant reputations

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Physical climate risks have the potential to damage the integrity of the Group's assets or interrupt our service delivery and customers directly. The Group has already set up a number of measures to enhance the reliance of its operations, including contingency plan for extreme weather or emergency conditions.

Transition risks have the potential to increase the operational cost and legal risk due to change of policy, technology development, digitalisation, relevant risk affected to supply and demand, and reputation due to public perceptions. The Group has already identified the relevant risks and continue to monitor the market and policy updates. The Group has also planned to invest according to the market needs and take this as an opportunity for long term development following relevant policies and instructions of the PRC Central Government.

Over the years, a series of measures have been implemented across the Group's value chain to enhance the Company to be prepared for climate events. These measures are deployed for different geographies, taking into account the asset types, locations and relevancy. They are summarised in the table below:

Relevant part of the value chain	Relevant measures
Supply chain	Diversify materials and food supplies from multiple suppliers and sources
Operation	Monitor and inspect assets regularly: <ul style="list-style-type: none">– Establish of a Contingency Plan for all facilities To address extreme heat and increased temperature: <ul style="list-style-type: none">– Maintain cooling equipment in good conditions To address the risk of water shortage and drought: <ul style="list-style-type: none">– Maintain water tank(s) in facilities if possible– Purchase drinking water with sufficient storage To address flooding risks: <ul style="list-style-type: none">– Build protection walls for facilities and run-off water storage, if necessary– Deploy anti-flooding measures suitable for the assets, including drainage systems, flood gates and flood barriers, if necessary– Put in place additional coverage with tarps, grass planting and drainage works to avoid soil erosion, if necessary

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Relevant part of the value chain	Relevant measures
Retails	Through engagement events, inform customers of the initiatives already undertaken to increase system resilience
Services	<ul style="list-style-type: none">– Establish a typhoon response protocol and coordinating system, and post-typhoon reviews to ensure smooth execution of contingency plans– Utilise the emergency restoration system, enabling rapid construction of temporary masts that can shorten the restoration of power supply– Enhance the communication capacity of customer services, in particular post-incident customer communication

Investing Transition Enablers

Investment in a broad range of transition enablers is required to transform the business to low-carbon economy. The Group will invest more resources to purchase Electric vehicles (EV) to replace the old fossil fuels vehicles and to explore the possibility of utilisation of solar energy in future.

Our Path to 2050

The Group is prepared to address the threats that climate change poses both to our business and to the communities that we serve. To achieve our mission, we are determined to provide safe, reliable, and affordable services to customers, and we are fully aware that our environmental responsibility has never been greater. The Group is ready to face this challenge and we will continually raise our ambitions, wherever possible, strengthening our targets at least every five years. Every one of us need to play our part and together we can speed up the pace of low carbon transition and create a low-carbon world for our future.

OUR PEOPLE

Group Policies Relating to Corporate Social Responsibility Practices

Employees are the foundation of the Group's success and development. We consider human resource as the most important asset and 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 to support the community and upholding the Group's business integrity.

Policies

Human Resources Department is established for the management of employment policies. Our Employee Handbook sets out the terms, guidelines and arrangements on remuneration and compensation, dismissal, recruitment, promotion, working hours, rest periods, diversity, equal opportunities, anti-discrimination and other benefits and welfare.

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Employment Management

Recruitment and Dismissal

Recruitment is required when there are staff replacements, identification of new positions or an increase in workload or responsibilities within departments.

Recruitment is tailored to different classes of positions to be filled and will be directed to appropriate sources of applicants in order to attract ample candidates. Publicity of recruitment will be carried out through appropriate media for a sufficient period to assure open opportunity for application and consideration.

The dismissal or voluntary termination of employee's contracts shall be enforced in accordance with the employment laws and regulations in Hong Kong and the PRC. Either party may terminate the employment by giving a written notification or payment in lieu of notice to the other party as specified in the employment contract according to the requirements of local Labour Legislation. To retain talented staff, all monthly-paid employees separating from employment are expected to sign an exit interview appointment letter and we will conduct an exit interview for receiving opinion and persuasion before the official leaving date.

Promotion

The Group recognises promotion as the shift of an employee from one position to another that requires a higher degree of knowledge, skill or responsibility and is assigned a higher pay range. We adopt an open-door communication policy and conduct annual review with its employees on their performance during the Period. Through this structured 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.

Equal Opportunity, Diversity and Anti-discrimination

The Group is committed to promoting equality in working environment for all employees, ensuring that employees are treated equally in every aspect of their jobs and work under a discrimination-free working atmosphere. 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. All employees are encouraged to report any cases of breaching occasions to the Human Resources Department, all cases will be thoroughly investigated and treated with high confidentiality.

The Group recognises and embraces the benefits of having a diversified Board and workforce to enhance the quality of its performance. We establish the Board Diversity Policy, and believe that the different backgrounds and abilities of our Directors could enhance board diversity and to achieve effective leadership with multi-perspective ideas during business decision making. The 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.

Our vision on equality applies to all aspects in employment, including but not limited to recruitment, promotion, transfer, job assignment, rewards and benefits, training and development, suspension, etc.

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Prohibition of Child and Forced Labour

The Group strives to be a responsible employer and we are committed to implementing good employment practices, and advocates ethics and human rights at the workplace. We only hire legitimate employees and do 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.

The Group has in place an internal policy and Employee Handbook which prohibits any form of child labour and clearly set out the process of resignation and dismissal of employees in order to safeguard the Group's and employees' rights, eliminating the possibilities of forced labour. Human Resources Department will review the employment practice regularly to prevent the possibility of child and forced labour.

If any child or forced labour cases have been discovered, the underaged labours would be ceased from work immediately. The Group would follow the local labour laws and regulations to handle such cases.

The Group is in compliance in all material respects of employment and strictly abides (i) the Labour Law of the PRC (《中華人民共和國勞動法》), (ii) the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), (iii) the Employment of Children Regulations of Hong Kong and (iv) the Employment Ordinance of Hong Kong. During the Period, to the best of Directors' knowledge, the Group was not aware of any significant non-compliance case relating to child labour and forced labour.

At the end of the Period, the number of employees breakdown are as follows,

Employment Profile

Workforce As at Financial Year end	2025 No. of Staff	2024 No. of Staff
By Gender		
Male	68 (44.4%)	89 (41.6%)
Female	85 (55.6%)	125 (58.4%)
By Age Group		
Below 20	0 (0.0%)	0 (0.0%)
20 – 39	34 (22.2%)	66 (30.8%)
40 – 59	96 (62.7%)	130 (60.8%)
60 or over	23 (15.1%)	18 (8.4%)
By Employment Type		
Full time	153 (100.0%)	214 (100.0%)
Part time	0 (0%)	0 (0%)
By Geographical Region		
PRC	150 (98.0%)	213 (99.5%)
Hong Kong	3 (2.0%)	1 (0.5%)
Total	153	214

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The Group strictly abides by related laws and regulations, including but not limited to:

- Hong Kong Employment Ordinance (Cap. 57)
- Hong Kong Employees' Compensation Ordinance (Cap. 282)
- Hong Kong Mandatory Provident Fund Schemes Ordinance (Cap. 485)
- Labour Law of the PRC (《中華人民共和國勞動法》)
- Labour Contract Law of the PRC (《中華人民共和國勞動合同法》)
- Hong Kong Minimum Wage Ordinance (Cap. 608)
- Hong Kong Sex Discrimination Ordinance (Cap. 480)
- Hong Kong Race Discrimination Ordinance (Cap. 602)

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. In addition, it has not received any complaint or notification from governmental authorities for contravention of any of the employment practices referred to above.

Employee Retention

Remuneration and Compensation

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, job duties, professional skills, technical capabilities and experience, as well as salary level for similar job positions in the industry. The Company has also adopted 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.

To attract and retain talents, the Group also offers a variety of benefits, including discretionary bonus, 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, injury compensation and insurance, overtime allowance, etc.

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Rest Period and Working Hours

The Group provides reasonable working hours and rest periods to employees. The resting time of the Group's employees is well respected and the employees are also entitled to paid holidays pursuant to statutory requirements or otherwise under their respective employment contracts such as annual leave, maternity leave, sick leave, marriage leave, bereavement leave, etc.

Employee Turnover

During the Period, the Group has an overall turnover rate of 45.8% (FY2024: 12.1%). The detailed turnover numbers and percentage are as follow:

Turnover ⁸	2025	2025	2024	2024
	No. of Staff	Turnover rate (%)	No. of Staff	Turnover rate (%)
By Gender				
Male	24	15.7%	13	14.6%
Female	46	30.1%	13	10.4%
By Age Group				
Below 20	0	–	0	–
20 – 39	21	14.4%	11	16.7%
40 – 59	44	28.8%	12	9.2%
60 or over	4	2.6%	3	16.7%
By Geographical Region				
PRC	70	45.8%	26	12.2%
Hong Kong	0	–	0	–
Overall	70	45.8%	26	12.1%

During the Period, the Group has further adjusted its business size to achieve more effective operating cost control, as a result the number of employees decreased further and achieved an increase in turnover rate.

⁸ Turnover rate = Number of employees left the Group during the Period / Number of employees as at the end of the Period.

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Employee Activities

During the Period, the Group has organised a variety of activities to motivate and to enhance overall morale of its employees, the Group also organises company events such as Occupational Skills Competition, Fire Safety Skills Competition, Lifesaving Competition, Employees Award Ceremony, etc. to allow the staff members to gather outside of work for bonding and team-building.



Chinese Banquet Table Setting Competition



Creative Fruit Platter Competition



Fire Safety Skills Competition



Lifesaving Competition

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Health and Safety

Health care of employees is of primary importance to the Group. We are committed to providing a safe working environment to our employees. 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. We have zero-tolerance for employees who commit physical assault, threatening behaviour, unwelcome photo-taking and harassment in the workplace.

Policies

Occupational Safety and Health Policy

- Policies on safety management

Our policies on safety management have clear responsibility definitions for our employees at different levels on safety management and compliance of relevant requirements. We require our employees to strictly comply with the policy for understanding the safety precautions at workplace.

- No-violence policy

Sexual harassment at the workplace is strictly prohibited to protect its employees from unsolicited sexual advances.

- The Safety Management Team

The team is comprising with thirteen personnel, and

The team is responsible for overseeing the safety of our employees during the overall project development process.

Occupational Measures

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:

Our Attempt

- 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

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- 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

Safety Performance

The Group has committed to provide all necessary resources for effective implementation and continuous improvement to avoid the accident frequency rate. Our projects are subjected to certain safety and health requirements pursuant to the laws in Hong Kong and the PRC, including but not limited to,

- The Labour Law of the PRC (《中華人民共和國勞動法》)
- The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) and
- The Occupational Safety and Health Ordinance of Hong Kong (Cap. 509)

To the best of our directors' knowledge, the Group was not aware of any accidents, fatalities and lost days due to material workplace injuries during the Period and the previous two years. The Group will continue to uphold safety awareness, review on our safety measures and provide instructions to our employees to ensure continuous improvements and avoidance of accidents from occurring. Also, 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 occupational health and safety.

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Staff Education and Development

Employees are our valuable assets. The Group simultaneously pursues on the business development and human capital investment. 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 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 regular basis to refresh memories and skills of 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.

- Training and Education Allowance Policy in Employee Handbook
- Continuous development is encouraged by monetary allowances, depending on the nature and duration of learning

Career Development

We establish individual labour contracts with each of our employees in accordance with the applicable labour laws. The remuneration package which we offer to employees includes salary, bonus and other allowance.

The performance of our employees is reviewed annually for numerous purposes such as promotion appraisals, salary review and determination of annual bonus. We believe that the current appraisal and bonus system provides an effective communication path between our employees and managing staff, which help to achieve the Group's expectations, to evaluate individual performance, and to indicate the talented labour and also retain existing staff members.

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Learning and Development

To keep our employees abreast of new knowledge and skills, we provide training programmes to our employees such as workshops and seminars on health and safety at workplace. We believe that the provision of opportunities to continuing education and advanced training can both increase our staff member's competence and work efficiency and enhance safety and loyalty.

For our new employees to become familiar with the culture and work practices, our new employees are subject to a probation period which confirmed in the appointment documentation for a particular post. Upon expiry of the probation period, the relevant supervisors will decide if permanent employment status will be granted to the new employees based on their performance.

Overall, the Group had a total of 153 employees received training and offered a total of 1.5 training hours. The details are as follows:

Percentage of Employee Receiving Training⁹	2025	2024
By Gender		
Male	100%	100%
Female	100%	100%
By Employment Category		
Managerial Staff	100%	100%
General Staff	100%	100%
Part-time Staff	—	—
Overall	100%	100%

⁹ Percentage of trained employee = Total number of employees received training during the Period / Total number of employees

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Average Training Hours ¹⁰	2025 Hours per Employee	2024 Hours per Employee
By Gender		
Male	0.7	0.5
Female	2.2	3.2
By Employment Category		
Managerial Staff	1.3	0.5
General Staff	1.5	2.2
Part-time Staff	—	—
Overall	1.5	2

Our Supply Chain

Supply Chain Management

The Group is committed to building lasting and constructive relationships with partners in its supply chain. To maintain and ensure the quality of the Group's services, our Supply Chain Management Policy specifies our dedication to a fair, transparent and competitive procurement process, which requires all employees to observe the highest standards of business integrity and to comply with relevant laws and regulations.

Supplier Engagement

The major suppliers of goods and services to the Group mainly include (i) construction companies; (ii) supplier of Food and Beverages ("F&B") and (iii) suppliers of 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.

To maintain and ensure the quality of the Group's service, its Supply Chain Management Policy uses strict review criteria for selection of suppliers. The suppliers must hold all necessary licenses and qualifications. We conduct supplier evaluation for new suppliers.

It is our practice to select only those suppliers from our approved list who have met the Group's quality requirements and have a satisfactory record of quality and on-time delivery. The Group also practises ethical procurement and targets to source raw materials from socially responsible suppliers. We ensure all personnel with supply chain management responsibilities are trained, 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.

¹⁰ Average training hours = Total training hours during the Period / Total number of employees

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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 criterias that the Group takes into account. Suppliers' fulfilment of the environment (such as the promotion of environmentally preferable services and products), health and safety requirements of the Group are relevant factors which will be taken into account by the Group in our supplier selection process.

Supplier Profile

As at 31st December 2025, we have a total of 54 suppliers, with no new approved suppliers during the Period. Our suppliers are all located in the PRC.

Supplier Control and Monitoring

In order to achieve better project performance, we annually rate the quality of suppliers based on factors such as (i) sufficiency of plant; (ii) sufficiency of manpower; (iii) progress; (iv) workmanship; (vi) response to instructions; (vii) financial status; and (viii) planning and management. Comments and remarks are given if any improper practises and unsatisfied performance is observed for further improvement.

Moreover, we monitor the performance and identify the environmental or social risks and related practices of suppliers in our approved list on an annual basis through site inspections, and interviews. The Group's management will review the procurement process and may source materials or 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. During the Period, all of our suppliers are managed under the supply chain management practice as mentioned in this section.

OUR CUSTOMER

Service Quality

Quality Policy

The Group has devised a hotel management manual and a property development manual which sets out stringent policies, procedures and systems in business operations. For example, the hotel management manual covers customer registration and clientele management, prepaid VIP service, etc., 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.

Quality Management, Customer Health and Safety

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 eleven personnel and is led by 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Period, the Group strictly abided by the Food Safety Law of the PRC (《中華人民共和國食品安全法》), Tourism Law of the PRC (《中華人民共和國旅遊法》), Regulations for the Administration of Sanitation of the Public Assembly Venue (《公共場所衛生管理條例》), Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》), Product Quality Law of the PRC (《中華人民共和國產品質量法》).

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Complaint Handling

We have complaints handling procedures stipulated in the hotel management manual to provide guidelines for our employees on complaint handling. In the event that the Group receives complaints from guests, they 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. To the best of our Director's knowledge, during the Period, there was no complaints received.

Intellectual Property, Advertising and Labelling

The Group respects intellectual properties and 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 62 trademarks registered in the PRC, 1 trademark registered in Hong Kong, and 2 domain names which are material to the business, namely gudouhotspring.com and gudouholdings.com for which the Group is the registered proprietor.

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.

During the Period, the Group was strictly abided by the Tort Law of the PRC (《中華人民共和國侵權責任法》). To the best of Directors' knowledge, the Group was not aware of any significant impact relating to intellectual property, advertising and labelling on its operations. We will closely monitor the business environment to identify any significant risks in this area.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Customer Privacy and Corporate Information Protection

The Group strives to protect the privacy of its customers and staff in the collection, processing and use of their business or personal data, and prevent improper use or leakage of information. 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 and take due care to protect customers’ personal data against unauthorised or accidental access.

All employees are required to abide by the guidelines and rules related to privacy regardless of work location and time. Failure by any employee to comply with the confidentiality obligations may lead to disciplinary actions, and in serious cases will be treated as gross misconduct. During the Period, to the best of our Directors’ knowledge, the Group was generally in compliance with relevant laws and regulations that have a significant impact on us relating to customer health and safety, advertising, labelling and privacy matters on products and services provided was not aware of any significant non-compliance case in this regard.

Business Ethics

The Group is committed to conducting its business with honesty, integrity and applying the highest standards on the establishment of transparent and open corporate governance frameworks. We adopt zero tolerance on any unethical acts.

Policies and Preventive Measures

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 anti-corruption activities. These internal guidelines and procedures will be provided to employees when they join the Group and will be covered by the training provided to new joiners. We regularly review and update to ensure appropriate ethical business practices and behaviour, including but not limited to:

- *Employee Handbook*
Our Employee Handbook sets out principles for acting responsibly in the daily operations, including issues related to business ethics, bribery, extortion, fraud, money laundering, other acts such as gambling, 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 are required to declare their respective interest in the Group’s business partners, suppliers, contractors and advisors that may conflict with the Group’s business interests.

- *Whistle-blowing Policy*
The Group has established an internal reporting system and channels for whistleblowing under which employees are encouraged to report promptly on any suspected business malpractices and unethical acts, such as internal improprieties, corruptions, potential fraud, fraudulent acts, and any illegal, inappropriate or suspicious issues upon them. We hope to, by this mean, deter inappropriate activities and maintain a good professional image and professional ethics.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group strictly adheres to the laws and regulations relating to business honesty, bribery and money laundering in Hong Kong, such as Prevention of Bribery Ordinance in Hong Kong, the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》) and the PRC Criminal Law (《中華人民共和國刑法》). Employees of the Group are also required to strictly comply with the above laws and regulations, such requirement is 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 abide the relevant local anti-corruption laws. During the Period, to the best of our Directors' knowledge, the Group was not aware of any warning, notice complaint or notification from governmental authorities on non-compliance cases such as bid-rigging and corruption litigation in this regard. Also, the Group has invited members from the Independent Commission Against Corruption to arrange anti-corruption training during the Period, all directors are required to join the training. On the other hand, we have sent reminders to employees via internal communication platform to draw their attention regarding anti-corruption and consequences of committing corruption acts are stated in the Employee Handbook to remind staffs and to enhance their awareness of anti-corruptions.

OUR SOCIETY

Community Investment

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 their needs surrounding Gudou Hot Spring Resort. The Group is committed to making contributions to the society and supporting initiatives that benefit the communities where we work pursuing a better tomorrow. The Group has been expanding in recent years but remains committed to upholding social responsibility to contribute to society.

Our Contribution

In respect of tourism property development business, the Group takes into the surrounding cultural relic and plantation in its operation. Before commencing any construction work, the Group conducts inspection and formulate plans to ensure that afforestation ratio as requested by the relevant government authorities at the time of grant of the land use 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 has shown continuous support to students by cooperating with schools to provide career opportunities for them to gain work experience which enhance their growth and help to gear them in advance to be prepared for contributing the society in future.

The Group also encourages employees in volunteering to help the underprivileged and deserving members in its community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
A. Environmental		
Aspect A1 Emissions		
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Our Environment – Group Policies Relating to Environmental Protection and Environmental Compliance
KPI A1.1	The types of emissions and respective emissions data.	Our Environment – Emissions and Waste Generation – Air Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment – Climate Change and Greenhouse Gas (GHG) Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	No significant hazardous waste was produced.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment – Emissions and Waste Generation
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Our Environment – Sustainability Overview and Management Objectives and Climate Change
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Our Environment – Emissions and Waste Generation

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
Aspect A2 Uses of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Our Environment – Group Policies Relating to Environmental Protection
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Our Environment – Environmental Impacts from our Operations and Mitigation Measures – Energy Efficiency
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Our Environment – Environmental Impacts from our Operations and Mitigation Measures – Water Consumption and Efficiency
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Our Environment – Sustainability Overview and Management Objectives and Environmental Impacts from our Operations and Mitigation Measures – Energy Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Our Environment – Environmental Impacts from our Operations and Mitigation Measures – Water Consumption and Efficiency
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Our Environment – Paper and Packaging Materials
Aspect A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Our Environment – Group Policies Relating to Environmental Protection
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our Environment – Environmental Impacts from our Operations and Mitigation Measures

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
Aspect A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Our Environment – Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Our Environment – Climate Change
B. Social		
Employment and Labour Practices		
Aspect B1 Employment		
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our People – Policies, Employment Management, Employee Retention
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Our People – Employment Management
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Our People – Employee Retention

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
Aspect B2 Health and Safety		
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our People – Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Our People – Health and Safety
KPI B2.2	Lost days due to work injury.	Our People – Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Our People – Health and Safety
Aspect B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our People – Staff Education and Development
KPI B3.1	The percentage of employees trained by gender and employee category.	Our People – Staff Education and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Our People – Staff Education and Development
Aspect B4 Labour Standards		
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Our People – Prohibition of Child and Forced Labour
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Our People – Prohibition of Child and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	No cases was discovered

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
Operating Practices		
Aspect B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Our Supply Chain – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Our Supply Chain – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Our Supply Chain – Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Our Supply Chain – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Our Supply Chain – Supply Chain Management
Aspect B6 Product Responsibility		
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Our Customer – Service Quality
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not relevant to the Group's business
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Our Customer – Service Quality
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Our Customer – Intellectual Property, Advertising and Labelling

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
KPI B6.4	Description of quality assurance process and recall procedures.	Our Customer – Service Quality
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Our Customer – Customer Privacy and Corporate Information Protection
Aspect B7 Anti-corruption		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Business Ethics
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	No concluded cases.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Business Ethics
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Business Ethics
Community		
Aspect B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Our Society – Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Our Society – Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Our Society – Community Investment

Note 1: All general disclosures and KPIs under "Subject Area A. Environmental" and "Subject Area B. Social" are "comply or explain" provisions as set in the ESG Guide.

INDEPENDENT AUDITOR'S REPORT



To the Shareholders of Gudou Holdings Limited

(incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Gudou Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 98 to 196, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards 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.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR QUALIFIED OPINION

Limitation of scope in relation to a joint operation with Guangdong Aoyuan Company Limited

As set out in Note 22 to the consolidated financial statements, Guangdong Gudou Travel Group Company Limited ("GD Gudou"), an indirect wholly owned subsidiary of the Group, entered into a joint operation arrangement with Guangdong Aoyuan Group Company Limited ("GD Aoyuan" or "Joint Operator") through the execution of two cooperation agreements ("Joint Operation Agreements") dated 16 July 2019 and 30 June 2020 for the development of 8 parcels of land in Gudou Jiangmen, the People's Republic of China (the "PRC") (the "Joint Operation"). Pursuant to the Joint Operation Agreements, GD Gudou is responsible for contributing the Land to the Joint Operation and GD Aoyuan is responsible for (i) funding the development, construction and management of the Land, (ii) maintaining the books and records of the Joint Operation and (iii) operating a designation bank account under the name of GD Gudou (the "Designated Bank Account"). The Joint Operation was subsequently discharged based on a civil ruling from the Court with an effective date of 19 May 2023. As at 31 December 2025, the Group recognised an amount due from the joint operator of RMB64,137,000 (2024: RMB70,333,000) that is net of impairment loss of RMB51,182,000 (2024: RMB44,975,000), settlement payable for discharge of the joint operation of RMB64,137,000 (2024: RMB64,137,000), and loan from the joint operator of RMB15,000,000 (2024: RMB15,000,000) and related interest payable of RMB8,625,000 (2024: RMB6,825,000) arising from the Joint Operation.

We expressed a qualified opinion in our audit report dated 31 March 2025 to the consolidated financial statements for the year ended 31 December 2024, because of the limitation of scope in respect of lack of the financial information of the Joint Operation. As disclosed in Note 22 to the consolidated financial statements and aforesaid, further to the Court ruling in January 2026 the Group was able to obtain all bank statements of the Designated Bank Account of the Joint Operation from the PRC Bank and was able to verify the Group's accounting records regarding the current account with GD Aoyuan prior to 2022 with the transaction activities in the Designated Bank Account and reconcile the balances of the amount due from the joint operator in the Group's consolidated financial statements as of 31 December 2025 and 2024. We have thus obtained sufficient appropriate evidence regarding the amount due from the joint operation as at 31 December 2025 and have also performed additional audit procedures to verify the accuracy of the comparative information for 2024 related to this matter. As stated in Note 22 to the consolidated financial statements, having considered the previous Court's ruling and the legal opinion from the Company's PRC lawyer on the rights and obligations of each counterparty in relation to the Joint Operation, the Group has recognised impairment provision of amount due from the joint operator based on the Group's entitlement of the Joint Operation as stated in the Joint Operation Agreements.

The limitation of scope arisen from the lack of accounting records of the Joint Operation that affected our prior year opinion has been fully resolved. However, we were unable to obtain sufficient audit evidence regarding the impairment assessment of the amount due from the joint operator as at 31 December 2024. Any adjustments to the figure as described above might have a consequential effect on the Group's result and cash flows for current and prior year, and related disclosures in the consolidated financial statements and the financial position of the Group as at 31 December 2024 presented as comparative figures in these consolidated financial statements and hence affect the comparability of the current year's figures and the corresponding figures.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR QUALIFIED OPINION *(continued)*

Limitation of scope in relation to a joint operation with Guangdong Aoyuan Company Limited *(continued)*

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 are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion as at 31 December 2025.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw your attention to Note 3(b)(ii) to the consolidated financial statements, which states that the Group incurred a net loss of approximately RMB61,932,000 during the year ended 31 December 2025 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB241,481,000. Included in its current liabilities were borrowings of approximately RMB24,940,000 which were overdue, while bank and cash balances were approximately RMB12,536,000 only as at 31 December 2025. In relation to the Joint Operation with GD Aoyuan, the Group was discharged from the Joint Operation in May 2023 as set forth in Note 22 and needs to be responsible for the ongoing operation of the property development project and to settle any obligation arising from the discharge. These conditions, along with other matters as set forth in Note 3(b)(ii) to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTER

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. In addition to the matters described in the Basis for Qualified Opinion section and the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTER *(continued)*

Key Audit Matter

Valuation for investment properties

Refer to Notes 3, 4(d) and 20 to the consolidated financial statements.

The Group owns investment properties in the PRC. The carrying amount of investment properties was approximately RMB591,400,000 as at 31 December 2025. For the year ended 31 December 2025, a fair value loss of approximately RMB18,900,000 relating to the investment properties was recognised in the consolidated statement of profit or loss and other comprehensive income.

Management engaged an independent professional qualified valuer (the "Valuer") to perform valuations of the investment properties. The valuation approaches adopted by the Valuer were the residual method and income approach. The residual method were based on gross development value and net replacement cost with reference to comparable sales transactions assuming that the properties had been completed in accordance with the current development plan on the valuation date less the costs that will be incurred to complete the development. The income approach was based on rental income and reversionary income potential by adopting appropriate capitalisation rates and market rents.

We focused on this area as the carrying value of the investment properties is significant to the consolidated financial statements and the valuation methodology requires the use of significant judgements and estimates.

How our audit addressed the Key Audit Matter

In assessing the valuation for investment properties, the following audit procedures have been performed by us:

- Obtained an understanding of the management's internal control and assessment process of estimating fair value of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management basis;
- Obtained the valuation report prepared by the Valuer and assessed the competence, capabilities and objectivity of the Valuer by verifying their qualification and discussing the scope of their work;
- Assessed the appropriateness of the valuation methodology adopted by the Valuer and the reasonableness of the key assumptions used in the valuation of investment properties, based on our knowledge of the property industry, research evidence of capitalisation rates, market rents, comparable market transactions for similar properties, estimated prices per sq.m. and the development costs, where applicable;
- Challenged the reasonableness of the key assumptions and inputs used by the management in the valuation by performing, on a sample basis, market research on comparable market transactions; and
- Tested, on a sample basis, the data used in the valuation of investment properties, including rental rates from existing tenancies by agreeing them to the underlying agreements with the tenants.

We considered that the methodology and 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 the information included in the annual report, but does not include 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 will 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 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 THOSE CHARGED WITH GOVERNANCE 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 HKFRS Accounting Standards 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 solely to you, as a body, in accordance with our agreed term of engagement, 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.

INDEPENDENT AUDITOR'S REPORT

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

As part of an audit in accordance with HKSAAs, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the Group's consolidated financial statements. We are responsible for the direction, supervision and performance of the audit work performed for purpose 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 those charged with governance 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 those charged with governance 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, 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.

Rongcheng (Hong Kong) CPA Limited

Certified Public Accountants

Lee Wai Chi

Practising Certificate no. P07830

Hong Kong, 27 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Revenue	7	53,150	53,380
Cost of sales	13	(52,636)	(59,588)
Gross profit (loss)		514	(6,208)
Other income	8	394	609
Other gains, net	9	69	9,994
Fair value losses on investment properties	20	(18,900)	(7,900)
Selling expenses	13	(3,706)	(4,038)
Administrative expenses	13	(21,487)	(26,035)
(Impairment loss) reversal of impairment loss under expected credit loss model, net	5(b)	(7,713)	2,032
Loss from operations		(50,829)	(31,546)
Finance costs	11	(15,188)	(19,619)
Loss before income tax		(66,017)	(51,165)
Taxation	12	4,085	357
Loss for the year attributable to owners of the Company		(61,932)	(50,808)
Other comprehensive income (expense) for the year, net of tax			
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation differences		6,147	(7,448)
<i>Items that will not be reclassified to profit or loss:</i>			
Currency translation differences		(3,926)	4,753
Gain on revaluation of properties, net of tax		28,790	40,185
Total comprehensive expense for the year attributable to owners of the Company		(30,921)	(13,318)
Loss per share			
		2025 RMB cents	2024 RMB cents
Basic and diluted loss per share	17	(4.85)	(4.45)

The notes on pages 103 to 196 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	18	131,372	156,499
Right-of-use assets	19	10,455	10,696
Investment properties	20	591,400	570,200
Financial assets at fair value through other comprehensive income	23	55	55
Deferred tax assets	33	7,148	7,067
		<u>740,430</u>	<u>744,517</u>
Current assets			
Properties held for sale	24	101,506	120,595
Inventories	25	1,942	2,318
Accounts receivable	26	2,501	3,806
Prepayments, deposits and other receivables	27	17,807	14,062
Amount due from the joint operator	22	64,137	70,333
Restricted bank balances	28	60	1,447
Bank and cash balances	29	12,536	1,450
		<u>200,489</u>	<u>214,011</u>
TOTAL ASSETS		<u>940,919</u>	<u>958,528</u>
Current liabilities			
Accounts payable	30	57,222	54,434
Provision, accruals and other payables	31	122,482	116,863
Settlement payable for discharge of the joint operation	22	64,137	64,137
Loan from the joint operator	22	15,000	15,000
Amount due to a director	41	9,681	1,498
Borrowings	32	65,500	134,946
Lease liabilities	19	1,047	665
Current tax liabilities		66,109	64,324
Contract liabilities	31	40,792	67,279
		<u>441,970</u>	<u>519,146</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Non-current liabilities			
Borrowings	32	148,673	80,830
Lease liabilities	19	5,533	5,728
Loan from a related party	41	7,504	7,849
Deferred tax liabilities	33	163,235	159,428
Deferred income	34	10,150	11,050
		<u>335,095</u>	<u>264,885</u>
TOTAL LIABILITIES		777,065	784,031
Capital and reserves			
Share capital	35	12,374	10,131
Reserves	36	151,480	164,366
		<u>163,854</u>	<u>174,497</u>
TOTAL EQUITY		163,854	174,497
		<u>940,919</u>	<u>958,528</u>
TOTAL LIABILITIES AND EQUITY		940,919	958,528

The notes on pages 103 to 196 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 98 to 196 were approved by the Board of Directors of the Company on 27 March 2026 and were signed on its behalf.

.....
Wu Weibin
 Director

.....
Jiang Guowei
 Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Share capital <i>RMB'000</i>	Reserves (<i>Note 36</i>) <i>RMB'000</i>	Total equity <i>RMB'000</i>
As at 1 January 2024	10,051	174,737	184,788
Comprehensive expense			
Loss for the year	–	(50,808)	(50,808)
Other comprehensive (expense)/income, net of tax			
Currency translation differences	–	(2,695)	(2,695)
Gain on revaluation of properties, net of tax	–	40,185	40,185
Total comprehensive expense for the year	–	(13,318)	(13,318)
Transactions with owners in their capacity as owners			
Exercise of share options (<i>Note 16</i>)	80	1,476	1,556
Share-based payment (<i>Note 16</i>)	–	1,471	1,471
Total transactions with owners in their capacity as owners	80	2,947	3,027
As at 31 December 2024	10,131	164,366	174,497
As at 1 January 2025	10,131	164,366	174,497
Comprehensive expense			
Loss for the year	–	(61,932)	(61,932)
Other comprehensive income, net of tax			
Currency translation differences	–	2,221	2,221
Gain on revaluation of properties, net of tax	–	28,790	28,790
Total comprehensive expense for the year	–	(30,921)	(30,921)
Transactions with owners in their capacity as owners			
Issuance of shares upon share subscription (<i>Note 35</i>)	2,033	15,029	17,062
Exercise of share options (<i>Note 16</i>)	210	1,955	2,165
Share-based payment (<i>Note 16</i>)	–	1,051	1,051
Total transactions with owners in their capacity as owners	2,243	18,035	20,278
As at 31 December 2025	12,374	151,480	163,854

The notes on pages 103 to 196 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
Cash flows from operating activities			
Cash generated from operations	38(a)	6,302	16,666
Income taxes paid		–	(70)
Net cash generated from operating activities		<u>6,302</u>	<u>16,596</u>
Cash flows from investing activities			
Interest received		2	5
Acquisition of a subsidiary	37	(6,927)	–
Purchases of property, plant and equipment		–	(5,278)
Net cash used in investing activities		<u>(6,925)</u>	<u>(5,273)</u>
Cash flows from financing activities			
Proceeds from issue of shares		17,062	–
Advance from a director	38(b)	8,512	1,498
Proceeds upon exercise of share options		2,165	1,556
Interest paid		(13,388)	(12,794)
Repayment of bank borrowings	38(b)	(1,603)	(61,411)
Principal elements of lease payments	38(b)	(713)	(685)
Repayment to a director	38(b)	(329)	–
Proceeds from bank borrowings	38(b)	–	57,620
Proceed from loan from a related party	38(b)	–	771
Net cash from (used in) financing activities		<u>11,706</u>	<u>(13,445)</u>
Net increase (decrease) in bank and cash balances		11,083	(2,122)
Effect of foreign exchange rate changes		3	(3)
Bank and cash balances at beginning of the year		1,450	3,575
Bank and cash balances at end of the year	29	<u>12,536</u>	<u>1,450</u>

The notes on pages 103 to 196 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated, which is different from the Company's functional currency of Hong Kong dollars ("HK\$").

2 APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

Amendments to an HKFRS Accounting Standard that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to an HKFRS Accounting Standard issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21	Lack of Exchangeability
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The application of the amendments to an HKFRS Accounting Standard in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS (continued)

New and amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 ²
HKFRS 18	Presentation and Disclosure in Financial Statements ³
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2026.

³ Effective for annual periods beginning on or after 1 January 2027.

Except for the new HKFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (the title of which will be changed to *Basis of Preparation of Financial Statements* upon effective of HKFRS 18) and HKFRS 7 *Financial Instruments: Disclosures*. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards as issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

(b) Basis of measurement and going concern assumption

(i) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for investment properties which are measured at fair value and financial assets at fair value through other comprehensive income. The measurement bases are fully described in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

(ii) Going concern assumption

During the year ended 31 December 2025, the Group reported a net loss of approximately RMB61,932,000. As at 31 December 2025, the Group’s current liabilities exceeded its current assets by approximately RMB241,481,000. Included in its current liabilities were borrowings of approximately RMB24,940,000 which were overdue, while its bank and cash balances amounted to approximately RMB12,536,000 only as at 31 December 2025.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(b) Basis of measurement and going concern assumption *(continued)*

(ii) **Going concern assumption** *(continued)*

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

In view of such circumstances, the directors of the Company (the "Directors") have given careful consideration of the future liquidity and operating performance of the Group and its available source of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Directors have reviewed a cash flow projection of the Group prepared by management covering a period of not less than twelve months from 31 December 2025 taking into consideration the following plans and measures:

- (i) For the installment loans, with original due dates during the year of 2024, amounting to RMB24,940,000 as at 31 December 2025, the Group has been actively negotiating with the bank on revising the repayment schedules to extend the due dates. Having considered the successful record of renewing the Group's borrowings, the longstanding relationships with the banks and assets being pledged to these banks, the Directors believe that the Group will be able to renegotiate the payment dates of these overdue installment loans and the remaining bank loans due in 2026.
- (ii) The Group has entered into facilities of RMB230,000,000 in March 2024 with a bank and be able to draw down from these bank facilities, subject to certain conditions, including the amounts to be drawn down and the assets that can be used as pledge. There is an unutilised amount of banking facilities of RMB205,060,000 as at 31 December 2025.
- (iii) The Group has entered into a loan facility of RMB50,000,000 in December 2024 with an independent third party with an expire date of 2027. As at reporting date, the Group has not yet drawn down any amount under this facility.
- (iv) The Group has been actively negotiating with the relevant tax authority on deferring the payment of the Group's current taxes (including the PRC enterprise income tax ("PRC EIT") and PRC land appreciation tax ("LAT")). The Directors are of the opinion that the current tax liabilities (including PRC EIT and LAT) will not be fully payable in 2026 and 2027 based on the Group's understanding of the practice of the tax authority to support the industry that was seriously affected under the COVID-19 pandemic.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(b) Basis of measurement and going concern assumption *(continued)*

(ii) **Going concern assumption** *(continued)*

- (v) Relying on the gradual recovery of the Group's property sales in 2025, the Group is cautiously optimistic that the property market will continue to recover in 2026. The Group continues its efforts by generating cash from property development, delaying the settlement to key suppliers or contractors and implementing measures to further control capital and operating expenditures of the Group.
- (vi) After the discharge of the Joint Operation, the Group is responsible for the operation of the property development project. The Group will actively adjust the sales strategy to respond to changing markets in order to achieve a better sales volumes and amounts, and enhance collection. In addition, based on the development plan of the project and the Directors' best understanding on the construction progress, the Directors considered that the additional obligation that the Group needs to take up is inconsequential. Moreover, the Group considers it has the rights to claim GD Aoyuan on any possible settlements on behalf of GD Aoyuan relating to the Joint Operation and thus do not expect any significant cash outflow going forward.
- (vii) Upon the discharge of the Joint Operation, the Group has recognised a settlement payable for acquiring the remaining unsold properties originally jointly owned with the joint operator and a loan from joint operator upon civil ruling. These payables are included in current liabilities. The Group considers they will arrange the settlement of such payable to GD Aoyuan together with any possible settlements by the Group on behalf of GD Aoyuan relating to the Joint Operation, any GD Aoyuan's withdrawals from the designated bank accounts and compensation for damages granted by the Court for GD Aoyuan's breaches of the Joint Operation as disclosed in note 22. Based on the assessment by management, the Directors considered that the obligation that the Group needs to settle to GD Aoyuan is inconsequential.
- (viii) The Group is actively looking for additional sources of financing to enhance the financial position and support the operations of the Group.

The Directors, after due consideration of the basis of management's plans and measures as well as the reasonable possible downside changes to the cash flow projections, are confident that the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due covering a period of not less than twelve months from 31 December 2025. 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

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(b) Basis of measurement and going concern assumption *(continued)*

(ii) **Going concern assumption** *(continued)*

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

- (a) the Group's ability to negotiate with the bank on revising repayment schedules to extend the due dates of installment loans;
- (b) the Group's ability to draw down from the unutilised amount of banking facilities of RMB205,060,000 and a loan facility of an independent third party of RMB50,000,000 as and when needed;
- (c) the Group's ability to further defer the payment of the Group's PRC EIT and LAT;
- (d) the Group's ability to accelerate the recovery and generate operating cash inflow from its property sales, delay the settlement to key suppliers or contractors and implement measures to further control capital and operating expenditures of the Group;
- (e) the Group's ability to successfully adjust the sales strategy to achieve a better sales volume and amounts and timely collection of sales proceeds;
- (f) the Group's ability to settle the discharge of the joint operation and to resolve the dispute with the joint operator with inconsequential financial impact to the Group; and
- (g) the Group's ability to successfully raise additional sources of financing as and when needed to enhance the financial position and support the operations of the Group.

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

This note provides a list of other potentially material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(c) Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(c) Material accounting policy information *(continued)*

Joint arrangements

Joint arrangements are classified as either joint operations or joint ventures. The classification of joint arrangement depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangement and determined it to be joint operations.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement, including rights to the assets and obligation for the liabilities relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group recognises its assets, liabilities, revenues and expenses in relation to its interest in joint operation and its share of any assets held jointly or liabilities, revenues and expenses incurred jointly. These have been incorporated in the consolidated financial statements under the appropriate headings.

The Group recognises the acquisition of a jointly controlled asset from the other joint operator using a cost accumulation approach. The costs of the assets previously recognised by the Group is carried at their carrying amounts and the additionally acquired portion is recognised at cost which is the fair value of the estimated consideration for acquiring the related assets from the other joint operator.

Details of the joint operation are set out in Note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(c) Material accounting policy information *(continued)*

Business combinations or asset acquisition

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(c) Material accounting policy information *(continued)*

Business combinations or asset acquisition *(continued)*

Business combinations *(continued)*

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the “Conceptual Framework”) except for transactions and events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC) – Int 21 Levies, in which the Group applies HKAS 37 or HK(IFRIC) – Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below);

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(c) Material accounting policy information *(continued)*

Business combinations or asset acquisition *(continued)*

Business combinations *(continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that: *(continued)*

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16 Leases) as if the acquired leases were new leases at the acquisition date, except for leases for which the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation foreign currency reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Exchange differences relating to the retranslation of the Group's net assets in HK\$ to the Group's presentation currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in translation foreign currency reserve. Such exchange differences accumulated in the translation foreign currency reserve are not reclassified to profit or loss subsequently.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

If a property becomes an investment property because its use has changed as evidenced by end of owner occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in asset revaluation reserve. On the subsequent sale or retirement of the property, the relevant asset revaluation reserve will be transferred directly to accumulated losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Leases

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 *Leases* at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable (if any);
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liabilities.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received (if any);
- any initial direct costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Leases *(continued)*

The Group as lessor

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature.

Entity-specific details about the Group's leasing policy are provided in Note 19.

Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Investments and other financial assets *(continued)*

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets at amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is measured based on time-proportion basis using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains, net, together with foreign exchange gains and losses. Impairment losses are presented in separate line item in the consolidated statement of profit or loss and other comprehensive income.

Fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains, net. Interest income from these financial assets is measured using the effective interest rate method. Foreign exchange gains and losses are presented in other gains, net and impairment losses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Investments and other financial assets *(continued)*

(iv) Impairment

The Group has five types of financial assets that are subject to expected credit loss model of HKFRS 9 *Financial Instrument*:

- Accounts receivable;
- Other receivables and deposits;
- Amount due from the joint operator;
- Restricted bank balances; and
- Bank balances

While restricted bank balances and bank balances are also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial as the Directors consider the probability of default is negligible as such amounts are receivable from or placed in banks in Hong Kong and the PRC having good reputation.

For accounts receivable, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 5(b) for further details.

For other receivables and deposits and amount due from the joint operator, the Group applies the general approach permitted by HKFRS 9, which requires 12-month expected credit loss to be recognised from all possible default events over the expected life of the receivables. See Note 5(b) for further details.

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Impairment on property, plant and equipment and right-of-use assets *(continued)*

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Properties held for sale

Properties held for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties held for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Accounts and other receivables

Accounts receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Accounts and other receivables are non-derivative financial asset with priced or determinable payments that are not quoted in active market. 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 the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the accounts and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 26 for further information about the Group's accounting for accounts receivable and Note 4(f) for a description of the Group's impairment policies.

Bank and cash balances

For the purpose of presentation in the consolidated statement of cash flows, bank and cash balances include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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.

Accounts and other payables and accruals

These amounts represent liabilities for goods or services provided to the Group prior to the end of financial year or other liabilities taken up by the Group which are unpaid. They 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Borrowings

Borrowings are initially recognised 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 a right to defer settlement of the liability for at least 12 months after the reporting period.

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 added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. 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.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets 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

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

PRC land appreciation tax

LAT is levied at progressive rates 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 EIT purposes.

Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

(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.

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 *Provisions, Contingent liabilities and Contingent Assets* 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Share-based payments

Share-based compensation benefits are provided to employees via the Gudou Holdings Limited share option scheme (the "Scheme"). Information relating to these schemes is set out in Note 16.

Employee options

The fair value of options granted under the Scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g., the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (e.g., profitability, sales growth targets and remaining an employee of the entity over a specified time period);
- including the impact of any non-vesting conditions (e.g., the requirement for employees to save or holdings shares for a specific period of time); and
- the total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When share options are exercised the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting period date or are still not exercised of the expiry date, the amount previously recognised in share-based payment reserve will be transferred to accumulated losses.

Accounting for contract liabilities

The contract liabilities which represent deposits received from customers are recognised as revenue upon fulfilment of the performance obligation in delivering the promised properties and/or delivering services to the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

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.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 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 and right-of-use assets

Property, plant and equipment and right-of-use assets 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 budgeted revenue, growth rate, gross profit margin, capital expenditure and discount 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 consolidated financial position and results of the operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 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 income tax provisions in the period in which such determination is made.

Deferred 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 tax assets and taxation charges in the period in which such estimates are changed.

The subsidiaries of the Group engaging in property development business in the PRC are subject to LAT, which have been included in the taxation. However, the Group has not finalised its LAT returns with the tax authority for certain projects. Accordingly, judgement is required in determining the amount of land appreciation and its related taxes payable. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the taxation and provisions of LAT in the period in which such determination is made.

(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 methods of valuation including residual method and income approach which involves certain estimates. The Directors have exercised their judgement on the key assumptions applied including estimating the gross development value and net replacement cost with reference to comparable sales transactions assuming that the properties had been completed in accordance with the development plan on the valuation date less the estimated costs that will be incurred to complete the development under residual method and market rents, appropriate capitalisation rate and reversionary income potential under income approach and are satisfied that the methods of valuation are 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 losses on investment properties in the year in which such estimate has been changed.

(e) Net realisable value of inventories and properties held for sale

Net realisable value of inventories and properties held for sale are the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. Management reassesses the estimation at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(f) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past settlement history of debtors, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 5(b).

(g) Recognition of settlement payable for discharge of the joint operation

As disclosed in Note 22, the Group recognised a settlement payable for discharge of the joint operation on the date the Joint Operation is discharged and the Group could exercise control over the discharge of the Joint Operation Agreement as an asset acquisition ("Acquired Properties") previously jointly controlled by the joint operator. The carrying value of the settlement payable for discharge of the joint operation is estimated based on the cost of the relevant portion of assets acquired which approximated to its estimated market value.

This measurement requires, among other things, significant estimation on the fair values of the relevant portion of properties at the date when the Group obtain control over those assets. The directors have also exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Where the actual results is different from the original estimate, such difference will impact the carrying value of the properties held for sales or the costs of sales of the properties in the year which such estimates have been changed.

5 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign exchange 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 exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are dominated in a currency that is not the entity's currency of the primary economic environment in which the entity operates (the "functional currency"). The Group's assets and liabilities, and transactions arising from its operation primarily do not expose it to material foreign exchange risk as they are primarily denominated in RMB. The Group generates sales denominated in RMB to meet its liabilities denominated in RMB.

(b) Credit risk

The Group is exposed to credit risk in related to its accounts and other receivables, deposits, amount due from the joint operator, restricted bank balances and bank balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

The carrying amounts of accounts receivable, deposits and other receivables, amount due from the joint operator, restricted bank balances and bank balances, represent the Group's maximum exposure to credit risk in relation to financial assets which are stated as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Accounts receivable <i>(Note 26)</i>	2,501	3,806
Deposits and other receivables <i>(Note 27)</i>	17,527	13,986
Amount due from the joint operator <i>(Note 22)</i>	64,137	70,333
Restricted bank balances <i>(Note 28)</i>	60	1,447
Bank balances <i>(Note 29)</i>	12,536	786
	<hr/>	<hr/>
Maximum exposure to credit risk	96,761	90,358
	<hr/> <hr/>	<hr/> <hr/>

The Group has several types of financial assets that are subject to the expected credit loss model.

In respect of accounts receivable, the Group has policies in place to ensure that sales are made to agencies with an appropriate credit history. In order to minimise the credit risk, the Directors and management persons of sales department are responsible for the determination of credit limits, credit approvals and other monitoring procedures. For properties purchasers, the Group has policies in place to ensure that sales are made to buyers/customers with an appropriate financial strength and appropriate percentage of down payment. As at 31 December 2025, the five largest accounts receivable represents approximately 70% (2024: 68%) of the total accounts receivable.

Management has regularly assessed the recoverability of the accounts receivable from individual customers and developed a comprehensive expected credit loss model to ensure adequate provision is made in accordance with HKFRS 9.

The expected loss rates of accounts receivable are based on payment profiles of sales within a period of 12 months before 31 December 2025 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

On that basis, the loss allowance of accounts receivable as at 31 December 2025 and 2024 was determined as follows:

	31 December 2025			31 December 2024		
	Expected loss rates	Gross carrying amount – accounts receivable RMB'000	Loss allowance RMB'000	Expected loss rates	Gross carrying amount – accounts receivable RMB'000	Loss allowance RMB'000
Current to 30 days	4%	358	15	18%	778	138
31 to 60 days	18%	228	40	46%	199	91
61 to 90 days	52%	163	84	52%	29	15
Over 90 days	72%	6,865	4,974	52%	6,342	3,298
		<u>7,614</u>	<u>5,113</u>		<u>7,348</u>	<u>3,542</u>

In respects of the deposits and other receivables, management considers this risk is not significant as they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term, and the loss allowance recognised is therefore limited to twelve months expected losses.

In respect of the amount due from the joint operator, due to the increasing credit risk of the joint operator in view of the liquidity condition of China Aoyuan, the Group classified the balances with the joint operator as credit-impaired and assessed the lifetime expected losses of the receivable. The Group assessed the lifetime expected losses of the receivable and recognised the provision of RMB51,182,000 as at 2025 (2024: RMB44,975,000).

As at 31 December 2025 and 2024, all the restricted bank balances and bank balances were placed at reputable banks in Hong Kong and the PRC. The credit quality of bank and cash balances 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

The Group typically provides guarantees to banks in connection with certain purchasers of the Group's properties of mortgage loans to finance their purchase of properties. Detailed disclosure of these guarantees is made in Note 40. If a purchase defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding amount under the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customers' deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the Directors consider that the Group's credit risk is largely mitigated.

The impairment loss of financial assets of the Group recognised in profit or loss comprises of:

	For the year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Impairment loss (reversal of impairment loss) under credit loss model on accounts receivable, net <i>(Note 26)</i>	1,571	(5,424)
(Reversal of impairment loss) impairment loss under credit loss model on other receivables, net <i>(Note 27)</i>	(65)	393
Impairment loss under credit loss model on amount due from the joint operator <i>(Note 22)</i>	6,207	2,999
	<hr/>	<hr/>
Impairment loss (reversal of impairment loss) under credit loss model, net	7,713	(2,032)
	<hr/> <hr/>	<hr/> <hr/>

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash outflows RMB'000	Carrying amounts RMB'000
As at 31 December 2025						
Accounts payable	57,222	-	-	-	57,222	57,222
Other payables	77,057	-	-	-	77,057	77,057
Settlement payable for discharge of the joint operation	64,137	-	-	-	64,137	64,137
Borrowings and interest payments	71,632	73,225	84,878	-	229,735	214,173
Lease liabilities and interest payments	1,832	1,707	3,522	3,459	10,520	6,580
Amount due to a director	9,681	-	-	-	9,681	9,681
Loan from the joint operator	15,000	-	-	-	15,000	15,000
Loan from a related party	-	-	8,029	-	8,029	7,504
	<u>296,561</u>	<u>74,932</u>	<u>96,429</u>	<u>3,459</u>	<u>471,381</u>	<u>451,354</u>
As at 31 December 2024						
Accounts payable	54,434	-	-	-	54,434	54,434
Other payables	74,911	-	-	-	74,911	74,911
Settlement payable for discharge of the joint operation	64,137	-	-	-	64,137	64,137
Borrowings and interest payments	134,946	85,681	-	-	220,627	215,776
Lease liabilities and interest payments	1,066	956	2,852	3,736	8,610	6,393
Amount due to a director	1,498	-	-	-	1,498	1,498
Loan from the joint operator	15,000	-	-	-	15,000	15,000
Loan from a related party	-	-	8,406	-	8,406	7,849
	<u>345,992</u>	<u>86,637</u>	<u>11,258</u>	<u>3,736</u>	<u>447,623</u>	<u>439,998</u>

(d) Interest rate risk

The Group's exposure to interest rate risk arises from its bank balances and borrowings. Bank balances and certain borrowings bearing interests at variable rates expose the Group to cash flow interest rate risk.

As at 31 December 2025, if interest rates at that date had been 10 basis points (2024: 10 basis points) higher/lower with all other variables held constant, the Group's loss after tax for the year would have been RMB1,419,000 (2024: RMB101,000) higher/lower, arising mainly as a result of higher/lower interest expense on floating rates borrowings and loan from a related party.

The Group has bank borrowings, loan from the joint operator and lease liabilities at fixed interest rates that expose the Group fair value interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 FINANCIAL RISK MANAGEMENT *(continued)*

(e) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from financial assets at fair value through other comprehensive income (note 23) as at 31 December 2025 and 2024.

The following table demonstrates the sensitivity to every 5% change in the fair values of the listed equity securities, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the financial assets at fair value through other comprehensive income the impact is deemed to be on the other comprehensive income.

	2025 Carrying amount of equity investment RMB'000	2024 Carrying amount of equity investment RMB'000
Listed equity securities	15	15
	2025 Other comprehensive (expense)/ income increased/ (decreased) by RMB'000	2024 Other comprehensive (expense)/ income increased/ (decreased) by RMB'000
Listed equity securities		
– increased by 5%	1	1
– decreased by 5%	(1)	(1)

(f) 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.

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 statement of financial position). Total capital represented the 'total equity' as shown in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 FINANCIAL RISK MANAGEMENT (continued)

(f) Capital risk management (continued)

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Interest-bearing bank borrowings	214,173	215,776
Interest-bearing loan from the joint operator	15,000	15,000
Interest-bearing related party borrowing	7,504	7,849
	<hr/>	<hr/>
Total debt	236,677	238,625
Total capital	163,854	174,497
	<hr/>	<hr/>
Gearing ratio	1.44	1.37
	<hr/> <hr/>	<hr/> <hr/>

(g) Categories of financial instruments

The Group holds the following financial instruments:

	2025 RMB'000	2024 RMB'000
Financial assets at amortised cost		
Accounts receivable	2,501	3,806
Deposit and other receivables	17,527	13,986
Amount due from the joint operator	64,137	70,333
Restricted bank balances	60	1,447
Bank and cash balances	12,536	1,450
	<hr/>	<hr/>
	96,761	90,358
	<hr/> <hr/>	<hr/> <hr/>

	2025 RMB'000	2024 RMB'000
Financial liabilities at amortised cost		
Accounts payable	57,222	54,434
Other payables	77,057	74,911
Settlement payable for discharge of the joint operation	64,137	64,137
Borrowings	214,173	215,776
Loan from a related party	7,504	7,849
Amount due to a director	9,681	1,498
Loan from the joint operator	15,000	15,000
	<hr/>	<hr/>
	444,774	433,605
	<hr/> <hr/>	<hr/> <hr/>

(h) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 FAIR VALUE MEASUREMENT

Financial Instruments

The table below analyses financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value at 31 December 2025 and 2024.

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2025				
Assets				
Financial assets at fair value through other comprehensive income	<u>15</u>	<u>–</u>	<u>40</u>	<u>55</u>
As at 31 December 2024				
Assets				
Financial assets at fair value through other comprehensive income	<u>15</u>	<u>–</u>	<u>40</u>	<u>55</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 Level 1, Level 2 and level 3 fair value hierarchy classifications and no significant changes in valuation techniques during the year.

There was no changes in level 3 instruments during the year.

Refer to Note 20 for disclosures of the investment properties that are measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 REVENUE

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

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Hotel and resort operations		
Admission income	7,369	12,815
Catering income	1,397	9,196
Conference fee income	242	552
Operating lease income	2,987	3,696
Other service income	3,694	3,273
Merchandise sales income	39	173
Room revenue	9,830	15,356
	25,558	45,061
Tourism properties		
Property sales	27,592	8,319
	53,150	53,380
Timing of revenue recognition from contracts with customers:		
At a point in time	36,397	30,503
Over time	13,766	19,181
	50,163	49,684
Operating lease income	2,987	3,696
	53,150	53,380

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 REVENUE *(continued)*

Accounting policies of revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is shown net of sales related tax, returns and discount. Revenue is recognised as follows:

(i) Property sales

Revenue is recognised at a point in time when the customer obtains the physical possession or the legal title of the properties. Deposits and instalment received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under "Contract liabilities".

Costs such as stamp duty and sales commission incurred directly attributable for obtaining a pre-sale property contract, if recoverable, are capitalised.

(ii) Room revenue

Room revenue received from room rental and other ancillary services is recognised overtime when the related room reservation become non-cancellable and the services are rendered respectively.

(iii) Admission income

Revenue from resort admission is recognised at a point in time when admission tickets are sold and redeemed by the customers.

(iv) Catering income

Catering income received from food and beverage sales is recognised at a point in time when the services are rendered.

(v) Conference fee income

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

(vi) Massage service income

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

(vii) Other service income

Other service income mainly consists of income from leasing management fees, parking fees and other relevant ancillary income related to property rental. It is recognised over time when the services are rendered.

(viii) Merchandise sales income

Revenue from sales of merchandise is recognised at a point in time when control of the merchandise has been transferred, being when the merchandise are dispatched to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the merchandise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 OTHER INCOME

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Interest income	2	5
Subsidy income (<i>Note</i>)	–	30
Sundry income	392	574
	<u>394</u>	<u>609</u>

Note: During the year ended 31 December 2024, the Group recognised subsidy income amounted to RMB30,000 (2025: nil) which was related to the Interest Subsidy for Service Industry Business Entities provided by the government in the PRC with no unfulfilled conditions or contingencies.

9 OTHER GAINS, NET

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Bargain purchase from acquisition of a subsidiary (<i>Note 37</i>)	69	–
Penalty charge to the joint operator (<i>Note 22</i>)	–	10,000
Others	–	(6)
	<u>69</u>	<u>9,994</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM has been identified as the executive directors of the Company that make strategic decisions, who review the Group's internal reporting in order to assess performance and allocate resources of the operating segments. 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 – Development and sales of properties in the PRC
- Hotel and resort operations – Operation of hotels and resort in the PRC and provision of consultancy services and/or management services to leisure hotels and resorts and other hot spring resort operators in the PRC

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

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

Segment assets included certain property, plant and equipment, right-of-use assets, certain investment properties, inventories, properties held for sale, amount due from the joint operator, accounts receivable, certain prepayments, deposits and other receivables and restricted bank balances.

Segment liabilities included accounts payable, provision, accruals and other payables, lease liabilities, contract liabilities, loan from a related party, amount due to a director, loan from the joint operator, settlement payable for discharge of the joint operation and deferred income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 SEGMENT INFORMATION *(continued)*

(i) Information about reportable segment profit or loss, assets and liabilities

	Hotel and resort operations <i>RMB'000</i>	Property development <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2025			
REVENUE			
Revenue from external customers	22,571	27,592	50,163
Operating lease income	2,987	–	2,987
RESULTS			
Segment (loss) profit	(36,330)	7,397	(28,933)
Fair value loss on investment properties for undetermined use			(14,800)
Finance costs			(15,188)
Unallocated corporate expenses			(7,096)
Loss before income tax			(66,017)
Taxation			4,085
Loss for the year			(61,932)

	Hotel and resort operations <i>RMB'000</i>	Property development <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2025			
ASSETS			
Segment assets	361,009	174,154	535,163
Property, plant and equipment for general administrative use			4,198
Investment properties for undetermined use			381,500
Financial assets at fair value through other comprehensive income			55
Prepayments, deposits and other receivables for general administrative use			319
Deferred tax assets			7,148
Bank and cash balances			12,536
Consolidated total assets			940,919

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 SEGMENT INFORMATION *(continued)*

(i) Information about reportable segment profit or loss, assets and liabilities *(continued)*

	Hotel and resort operations <i>RMB'000</i>	Property development <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2025			
LIABILITIES			
Segment liabilities	<u>93,280</u>	<u>240,268</u>	333,548
Borrowings			214,173
Current tax liabilities			66,109
Deferred tax liabilities			<u>163,235</u>
Consolidated total liabilities			<u>777,065</u>
OTHER INFORMATION			
Interest income	1	1	2
Depreciation and amortisation	23,531	414	23,945
Additions to segment non-current assets	<u>900</u>	<u>–</u>	<u>900</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 SEGMENT INFORMATION *(continued)*

(i) Information about reportable segment profit or loss, assets and liabilities *(continued)*

	Hotel and resort operations <i>RMB'000</i>	Property development <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2024			
REVENUE			
Revenue from external customers	41,365	8,319	49,684
Operating lease income	3,696	–	3,696
	<u>41,365</u>	<u>8,319</u>	<u>49,684</u>
RESULTS			
Segment (loss) profit	(42,285)	1,654	(40,631)
Fair value gain on investment properties for undetermined use			19,100
Finance costs			(19,619)
Unallocated corporate expenses			<u>(10,015)</u>
Loss before income tax			(51,165)
Taxation			<u>357</u>
Loss for the year			<u><u>(50,808)</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 SEGMENT INFORMATION *(continued)*

(i) Information about reportable segment profit or loss, assets and liabilities *(continued)*

	Hotel and resort operations <i>RMB'000</i>	Property development <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2024			
ASSETS			
Segment assets	343,943	204,865	548,808
Property, plant and equipment for general administrative use			4,808
Investment properties for undetermined use			396,300
Financial assets at fair value through other comprehensive income			55
Prepayments, deposits and other receivables for general administrative use			40
Deferred tax assets			7,067
Bank and cash balances			1,450
Consolidated total assets			958,528

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 SEGMENT INFORMATION *(continued)*

(i) Information about reportable segment profit or loss, assets and liabilities *(continued)*

	Hotel and resort operations <i>RMB'000</i>	Property development <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2024			
LIABILITIES			
Segment liabilities	<u>127,347</u>	<u>217,156</u>	344,503
Borrowings			215,776
Current tax liabilities			64,324
Deferred tax liabilities			<u>159,428</u>
Consolidated total liabilities			<u>784,031</u>
OTHER INFORMATION			
Interest income	3	2	5
Depreciation and amortisation	28,885	414	29,299
Additions to segment non-current assets	<u>5,278</u>	<u>–</u>	<u>5,278</u>

(ii) Geographical information:

All of the Group's revenue and non-current assets (other than deferred tax assets) are sourced or located in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 FINANCE COSTS

Finance costs:

- Interest expenses on bank borrowings
- Interest expenses on loan from a related party (Note 41)
- Interest expenses on loan from the joint operator (Note 22)
- Unwinding of interests on lease liabilities

Total finance costs

Year ended 31 December

2025 RMB'000	2024 RMB'000
12,809	11,850
177	509
1,800	6,825
402	435
<u>15,188</u>	<u>19,619</u>

12 TAXATION

For the year ended 31 December 2025, no provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong (2024: Nil). The Group's subsidiaries in the PRC are subject to the PRC enterprise income tax at a rate of 25% (2024: 25%) on estimated assessable profits.

Year ended 31 December

	2025 RMB'000	2024 RMB'000
Current tax		
PRC enterprise income tax	406	–
LAT	1,379	416
	<u>1,785</u>	416
Deferred tax (Note 33)	(5,870)	(773)
	<u>(4,085)</u>	<u>(357)</u>
Taxation		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 TAXATION (continued)

The revenue from tourism property as described in Note 7 includes sales of apartments. Under the applicable tax regulations, LAT is charged at progressive rate from 30% to 60% (2024: 30% to 60%) on the appreciation of land value which is calculated based on the proceeds of sales of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure. The basis of calculating the LAT on the sale of apartments has not yet been determined by the local tax bureau. Management adopted the progressive rate from 30% to 60% (2024: 30% to 60%) according to their best estimation. Taxation on the Group's loss before income tax differs from the theoretical amount that would arise using the taxation rate in the PRC as follows:

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Loss before income tax	(66,017)	(51,165)
Tax at the domestic income tax rate of 25%	(16,504)	(12,791)
Tax effect of income not taxable for tax purpose	(1,475)	(3,496)
Tax effect of expenses not deductible for tax purpose	2,196	9,099
Tax losses not recognised as deferred tax assets	10,788	7,437
Utilisation of tax losses previously not recognised	(124)	(918)
LAT	1,379	416
Tax effect on LAT deductible for calculation of income tax purpose	(345)	(104)
Income tax credit for the year	(4,085)	(357)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 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	
	2025 RMB'000	2024 RMB'000
Auditors' remuneration		
– Audit services	1,000	886
Cost of properties sold (Note 24)	24,698	7,170
Cost of goods sold (Note 25)	426	4,020
Reversal of provision for loss on net realisable value of properties held for sale (Note 24)	(5,609)	(1,379)
Depreciation on property, plant and equipment (Note 18)	23,532	28,916
Depreciation on right-of-use assets (Note 19)	1,141	1,124
Employee benefit expenses (including directors' emoluments) (Note 14)		
– Cost of sales	6,233	11,710
– Selling expenses	206	134
– Administrative expenses	10,228	11,616
Legal and professional fees	2,501	3,327
Operating lease rental for short-term and low value leases	2,515	3,138
Utilities expenses	596	2,299
Advertising and promotion expenses	2,594	2,951
Miscellaneous tax	906	2,322
Entertainment and travelling expense	602	648
Others (Note)	6,260	10,779
	77,829	89,661
Total cost of sales, selling expenses and administrative expenses		

Note:

The amounts represented repair and maintenance expenses, cleaning expenses and miscellaneous expenses for daily operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Salaries, bonus and allowances	14,255	20,060
Pension costs – defined contribution plans (<i>Note a</i>)	1,361	1,929
Share-based payment (<i>Note 16</i>)	1,051	1,471
	<u>16,667</u>	<u>23,460</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 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.

As at 31 December 2025, there are no forfeited contributions available to offset future retirement benefit obligations of the Group (2024: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 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 2025 include two (2024: three) Directors whose emoluments are reflected in the analysis presented in Note 15. The emoluments payable to the remaining three (2024: two) highest paid individuals during the year ended 31 December 2025 are as follows:

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Salaries, bonus and allowances	2,327	1,400
Pension costs – defined contribution plans	48	31
Share-based payment	308	66
	<u>2,683</u>	<u>1,497</u>

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

	Year ended 31 December	
	2025	2024
Emolument band (in HK\$)		
Nil to HK\$1,000,000 (equivalent to Nil to RMB919,341)	1	1
HK\$1,000,001 to HK\$2,000,000 (equivalent to RMB919,341 to RMB1,838,682)	2	1
	<u>3</u>	<u>2</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

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

Name	Salary and bonus	Employer's contribution to pension scheme	Share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2025				
<i>Executive directors</i>				
Mr. Han Jim Zhao Ping (Note i)	55	–	–	55
Mr. Jiang Guowei (Note vi)	55	–	–	55
Mr. Wu Weibin (Note i)	55	–	–	55
Mr. Hon Chi Ming	513	8	242	763
Mr. Wang Jun	922	17	242	1,181
<i>Non-executive director</i>				
Ms. Huang Yi (Note i)	55	–	–	55
<i>Independent non-executive directors</i>				
Mr. E Yau Lai (Note v)	41	–	–	41
Mr. Chan Cheuk Ho	110	–	44	154
Ms. Zhang Shaomin (Note iv)	55	–	44	99
	1,861	25	572	2,458

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

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

Name	Salary and bonus RMB'000	Employer's contribution to pension scheme RMB'000	Share-based payment RMB'000	Total RMB'000
Year ended 31 December 2024				
<i>Executive directors</i>				
Mr. Han Jim Zhao Ping <i>(Note i)</i>	1	–	–	1
Mr. Wu Weibin <i>(Note i)</i>	1	–	–	1
Mr. Hon Chi Ming	1,259	17	339	1,615
Mr. Huang Zhanxiong <i>(Note ii)</i>	149	–	62	211
Mr. Liang Juquan <i>(Note ii)</i>	748	13	339	1,100
Mr. Wang Jun	959	13	339	1,311
<i>Non-executive directors</i>				
Ms. Huang Yi <i>(Note i)</i>	1	–	–	1
Mr. Tam Man Chiu <i>(Note ii)</i>	28	–	–	28
<i>Independent non-executive directors</i>				
Mr. Wu Sai Him <i>(Note ii)</i>	159	–	–	159
Prof. Wang Dawu <i>(Note iii)</i>	23	–	–	23
Mr. Chan Cheuk Ho	111	–	62	173
Ms. Zhang Shaomin <i>(Note iv)</i>	45	–	62	107
	3,484	43	1,203	4,730
	3,484	43	1,203	4,730

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 2025 (2024: None).

No directors waived any emoluments during the year ended 31 December 2025 (2024: None).

Notes:

- (i) Appointed on 23 December 2024
- (ii) Resigned on 23 December 2024
- (iii) Resigned on 11 March 2024
- (iv) Appointed on 11 March 2024
- (v) Appointed on 1 April 2025
- (vi) Appointed on 23 June 2025

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

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

Mr. Han Jim Zhao Ping has been appointed as the chairman of the Board and an executive director, with effect from 23 December 2024.

Mr. Wu Weibin has been appointed as the executive director of the Company, with effect from 23 December 2024.

Ms. Huang Yi has been appointed as a non-executive director of the Company, with effect from 23 December 2024.

Mr. Huang Zhanxiong has resigned as an executive director of the Company, with effect from 23 December 2024.

Mr. Liang Juquan has resigned as an executive director of the Company, with effect from 23 December 2024.

Mr. Tam Man Chiu has resigned as a non-executive director of the Company, with effect from 23 December 2024.

Mr. Wu Sai Him has resigned as an independent non-executive director of the Company, with effect from 23 December 2024.

Ms. Zhang Shaomin has been appointed as an independent non-executive director of the Company, with effect from 11 March 2024.

Prof. Wang Dawu has resigned as an independent non-executive director of the Company, with effect from 11 March 2024.

Mr. E Yau Lai has been appointed as an independent non-executive director of the Company, with effect from 1 April 2025.

Mr. Jiang Guowei has been appointed as an executive director of the Company, with effect from 23 June 2025.

(b) Directors' retirement benefits and termination benefits

No retirement benefits and termination benefits paid to the directors during the year ended 31 December 2025 (2024: Nil).

(c) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available directors' services during the year ended 31 December 2025 (2024: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and controlled entities with such directors

No loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors as at 31 December 2025 (2024: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the financial year (2024: Nil).

16 SHARE-BASED PAYMENTS

The Company adopted the Scheme to attract, retain and motivate the grantees to strive for future developments and expansion of the Group.

Share option scheme

On 18 November 2016, a share option scheme was approved and adopted, pursuant to which selected participants may be granted options to subscribe for shares as indentures or rewards for their service rendered to the Group. Share options were granted to directors, and selected employees of the Company.

The Scheme is valid and effective for a period of ten years commencing on the adoption date of the scheme.

For the share options granted on 5 April 2017, the vesting period of the share options ranges from one to four years. All the options are conditional in which one-fourth is vested and exercisable on every anniversary since the grant date of the share options.

The Group does not have a legal or constructive obligation to repurchase or settle the options in cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 SHARE-BASED PAYMENTS *(continued)*

Share option scheme *(continued)*

The fair values of services received in return for share options granted are measured by reference to the fair value of share options granted. The range of fair value of options granted determined by using the Binomial model and significant inputs into the model were as follows:

	Share options by grant date 5 April 2017
Range of fair value of options granted	HK\$0.29 – HK\$0.30 (equivalent to RMB0.25 – 0.26)
Weighted average share price at the grant date	HK\$0.62 (equivalent to RMB0.54)
Expected volatility <i>(Note)</i>	45.00%
Expected option life	Eight years
Annual risk-free interest rate	1.43%

Note: Expected volatility is assumed to be based on historical volatility of comparable companies.

The variables and assumptions used in estimating the fair value of the share options were the directors' best estimates. Change in subjective input assumptions can materially affect the fair value.

The number of share options outstanding as of 31 December 2025 is nil and all of the share options are lapsed as at 31 December 2025.

The number of share options outstanding as of 31 December 2024 is 33,810,000 with weighted average share price of HK\$0.62 (equivalent to RMB0.54) and all of the share options are exercisable as at 31 December 2024.

For the share options granted on 20 June 2022, the options shall be exercisable immediately on the date of grant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 SHARE-BASED PAYMENTS (continued)

Share option scheme (continued)

The Group does not have a legal or constructive obligation to repurchase or settle the options in cash.

Share options by grant date 20 June 2022

Range of fair value of options granted	HK\$0.084 – HK\$0.095 (equivalent to RMB0.072 – RMB0.081)
Weighted average share price at the grant date	HK\$0.1742 (equivalent to RMB0.1483)
Expected volatility (Note)	93.00%
Expected option life	Four years
Annual risk-free interest rate	2.92%

Note: Expected volatility is assumed to be based on historical volatility of comparable companies.

The variables and assumptions used in estimating the fair value of the share options were the directors' best estimates. Change in subjective input assumptions can materially affect the fair value.

The number of share options outstanding as of 31 December 2025 is 9,717,000 (2024: 9,717,700) with weighted average share price of HK\$0.17 (equivalent to RMB0.15) (2024: HK\$0.17 (equivalent to RMB0.15)) and all of them are exercisable as at 31 December 2025 (2024: Same).

For the share options granted on 27 June 2024, the vesting period of the share options ranges from one to seven years. All the options are conditional in which one-seven is vested and exercisable after the expiration of 12 months from the grant date.

The Group does not have a legal or constructive obligation to repurchase or settle the options in cash.

Share options by grant date 27 June 2024

Range of fair value of options granted	HK\$0.0494 – HK\$0.0573 (equivalent to RMB0.046 – RMB0.053)
Weighted average share price at the grant date	HK\$0.1030 (equivalent to RMB0.0958)
Expected volatility (Note)	69.30%
Expected option life	Seven years
Annual risk-free interest rate	3.75%

Note: Expected volatility is assumed to be based on historical volatility of comparable companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 SHARE-BASED PAYMENTS *(continued)*

Share option scheme *(continued)*

The variables and assumptions used in estimating the fair value of the share options were the Director's best estimates. Change in subjective input assumptions can materially affect the fair value.

The number of share options outstanding as of 31 December 2025 is 26,100,000 (2024: 49,100,000) with weighted average share price of HK\$0.1030 (equivalent to RMB0.0958) (2024: HK\$0.1030 (equivalent to RMB0.0958)) and one-seven are exercisable as at 31 December 2025 (2024: all of them are non-exercisable).

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2025		2024	
	Average exercise price in HK\$ per share option	Number of share options (thousands)	Average exercise price in HK\$ per share option	Number of share options (thousands)
As at 1 January	0.30	92,627	0.48	57,281
Additions	–	–	0.10	49,100
Lapsed or forfeited	0.62	(33,810)	0.57	(5,139)
Exercise	0.10	(23,000)	0.19	(8,615)
As at 31 December		<u>35,817</u>		<u>92,627</u>

During the year ended 31 December 2025, share-based payment expense of approximately RMB1,051,000 (2024: RMB1,471,000) was recognised in profit or loss (Note 14).

During the year ended 31 December 2025, share options previously granted of approximately RMB6,258,000 (2024: RMB951,000) has been transferred from share-based payment reserve to accumulated losses upon the resignation of the grantees from the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 LOSS PER SHARE

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	
	2025	2024
Loss attributable to owners of the Company (RMB'000)	(61,932)	(50,808)
Weighted average number of ordinary shares in issue ('000)	<u>1,275,730</u>	<u>1,141,356</u>
Basic loss per share (RMB cents)	<u>(4.85)</u>	<u>(4.45)</u>

Diluted

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

For the years ended 31 December 2025 and 31 December 2024, share options were not assumed to be exercised/converted as they have an anti-dilutive impact due to the loss for the years attributable to owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
Cost					
As at 1 January 2024	201,896	41,573	262,403	6,943	512,815
Additions	–	3	5,275	–	5,278
Transfer to investment properties	(60,526)	–	–	–	(60,526)
Disposals	–	(16)	–	–	(16)
Exchange differences	–	5	5	56	66
	<u>141,370</u>	<u>41,565</u>	<u>267,683</u>	<u>6,999</u>	<u>457,617</u>
As at 31 December 2024 and 1 January 2025	141,370	41,565	267,683	6,999	457,617
Transfer to investment properties	(9,076)	–	–	–	(9,076)
Transfer from acquisition of a subsidiary (Note 37)	245	–	–	–	245
Disposals	–	–	–	(508)	(508)
Exchange differences	–	(5)	(132)	(67)	(204)
	<u>132,539</u>	<u>41,560</u>	<u>267,551</u>	<u>6,424</u>	<u>448,074</u>
As at 31 December 2025	132,539	41,560	267,551	6,424	448,074
Accumulated depreciation					
As at 1 January 2024	145,943	37,852	136,819	6,756	327,370
Charge for the year	9,711	732	18,379	94	28,916
Transfer to investment properties	(55,207)	–	–	–	(55,207)
Exchange differences	–	2	1	36	39
	<u>100,447</u>	<u>38,586</u>	<u>155,199</u>	<u>6,886</u>	<u>301,118</u>
As at 31 December 2024 and 1 January 2025	100,447	38,586	155,199	6,886	301,118
Charge for the year	6,456	788	16,229	59	23,532
Disposals	–	–	–	(508)	(508)
Transfer to investment properties	(7,362)	–	–	–	(7,362)
Exchange differences	–	(2)	(9)	(67)	(78)
	<u>99,541</u>	<u>39,372</u>	<u>171,419</u>	<u>6,370</u>	<u>316,702</u>
As at 31 December 2025	99,541	39,372	171,419	6,370	316,702
Net book value					
As at 31 December 2025	32,998	2,188	96,132	54	131,372
As at 31 December 2024	<u>40,923</u>	<u>2,979</u>	<u>112,484</u>	<u>113</u>	<u>156,499</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depreciation methods and useful lives:

Depreciation of property, plant and equipment is calculated at rates 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 assets' residual values, estimated useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

See note 3 for the other accounting policies relevant to property, plant and equipment.

The carrying amount of Group's buildings amounting to approximately RMB14,939,000 (2024: RMB20,363,000) were pledged as securities for the Group's bank borrowings at 31 December 2025 (Note 32).

Depreciation expenses of approximately RMB20,484,000 (2024: RMB24,396,000) and approximately RMB3,048,000 (2024: RMB4,520,000) have been included in cost of sales and administrative expenses, respectively.

The Directors carried out an impairment assessment on the recoverable amounts of property, plant and equipment and right-of-use assets under hotel and resort operations segment as a result of the segment loss as incurred for the year ended 31 December 2025. The recoverable amount is calculated based on a valuation under the use of value in use calculation performed by Graval Consulting Limited, an independent qualified professional valuer. Key assumptions for the value in use calculation include budgeted revenue, growth rate, gross profit margin, capital expenditure and discount rate.

Based on the results of the assessment, the Directors are of the opinion that there was no impairment of property, plant and equipment and right-of-use assets as at 31 December 2025 (2024: Same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Balances recognised in the consolidated statement of financial position

Right-of-use assets

	Leased buildings <i>RMB'000</i>	Prepaid land lease payments <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2024			
Cost	22,762	6,721	29,483
Accumulated depreciation	(16,359)	(1,304)	(17,663)
Net book amount	6,403	5,417	11,820
Year ended 31 December 2024			
Opening net book amount	6,403	5,417	11,820
Depreciation	(798)	(326)	(1,124)
Closing net book amount	5,605	5,091	10,696
At 31 December 2024			
Cost	13,976	6,721	20,697
Accumulated depreciation	(8,371)	(1,630)	(10,001)
Net book amount	5,605	5,091	10,696
	Leased buildings <i>RMB'000</i>	Prepaid land lease payments <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2025			
Opening net book amount	5,605	5,091	10,696
Additions	900	–	900
Depreciation	(815)	(326)	(1,141)
Closing net book amount	5,690	4,765	10,455
At 31 December 2025			
Cost	14,876	6,721	21,597
Accumulated depreciation	(9,186)	(1,956)	(11,142)
Net book amount	5,690	4,765	10,455

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(continued)*

(a) Balances recognised in the consolidated statement of financial position *(continued)*

During the year ended 31 December 2024, the Group has terminated the lease of a fully depreciated leased building with cost amounting to RMB8,786,000 (2025: nil).

Lease liabilities

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Current portion	1,047	665
Non-current portion	5,533	5,728
	<u>6,580</u>	<u>6,393</u>

(b) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Depreciation charge of right-of-use assets <i>(Note 13)</i>	1,141	1,124
Unwinding of interests on lease liabilities <i>(Note 11)</i>	402	435
Operating lease rental for short-term and low-value leases <i>(Note 13)</i>	2,515	3,138
	<u>2,515</u>	<u>3,138</u>

The total cash outflow of leases for the year ended 31 December 2025 was approximately RMB3,630,000 (2024: RMB4,258,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(continued)*

(b) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income *(continued)*

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

	As at 31 December	
	2025 RMB'000	2024 RMB'000
In the PRC:		
Long-term leases	76	402
Medium-term leases	4,689	4,689
	<u>4,765</u>	<u>5,091</u>

The carrying amount of right-of-use assets of approximately RMB4,765,000 (2024: RMB5,091,000) was pledged as securities for the Group's bank borrowings at 31 December 2025 (Note 32).

The Group's leasing activities and how these are accounted for

Prepaid land lease payments represent the prepaid operating lease payments of the Group's interests in land use rights located in the PRC, which are held on leases within 50 (2024: 50) years.

Leased buildings of the Group represent mainly office and hotel premises and resort property. The Group obtains right to control the use of these leased buildings for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 2 to 65 (2024: 2 to 65) years.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(continued)*

(b) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income *(continued)*

The Group's leasing activities and how these are accounted for (continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office equipment.

See Note 3 for the other accounting policies relevant to leases.

20 INVESTMENT PROPERTIES

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
At beginning of year	570,200	519,200
Transfer from property, plant and equipment <i>(Note b)</i>	40,100	58,900
Fair value losses	(18,900)	(7,900)
At end of year	<u>591,400</u>	<u>570,200</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 INVESTMENT PROPERTIES *(continued)*

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

	As at 31 December	
	2025 RMB'000	2024 RMB'000
In the PRC:		
Medium-term leases	591,400	570,200

- (a) The Group's investment properties are held within a business model which 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) During the year ended 31 December 2025, properties with total carrying value of approximately RMB1,714,000 (2024: RMB5,319,000) at date of transfer was transferred from property, plant and equipment to investment properties at the date of end of owner occupation. The difference between the fair values of the properties and their carrying values at date of transfer was recognised in asset revaluation reserve amounting to approximately RMB28,790,000, net of tax of approximately RMB9,596,000 (2024: RMB40,185,000, net of tax RMB13,396,000). The fair value of the Group's investment properties at 31 December 2025 (2024: 31 December 2024) and at the date of transfer were based on valuations carried out by Graval Consulting Limited, an independent qualified professional valuer (2024: same), details are disclosed as below.
- (c) See note 3 for the other accounting policies relevant to investment properties.
- (d) The Group's investment properties amounting to approximately RMB475,300,000 (2024: RMB449,400,000) were pledged as security for the Group's bank borrowings at 31 December 2025 (Note 32).

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

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Recurring fair value measurements		
– Land held for undetermined use	381,500	396,300
– Land held for development of investment properties	109,500	113,700
– Completed hotel and commercial complex	100,400	60,200
	591,400	570,200

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 INVESTMENT PROPERTIES (continued)

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	Completed Hotel and Commercial Complex RMB'000	Total RMB'000
As at 1 January 2025	396,300	113,700	60,200	570,200
Net (decrease)/increase in fair value recognised in profit or loss	(14,800)	(4,200)	100	(18,900)
Transfer from property, plant, and equipment	–	–	40,100	40,100
As at 31 December 2025	<u>381,500</u>	<u>109,500</u>	<u>100,400</u>	<u>591,400</u>
Total (losses)/gain for the year included in profit or loss for assets held at the end of the year, under “fair value losses on investment properties”	<u>(14,800)</u>	<u>(4,200)</u>	<u>100</u>	<u>(18,900)</u>
As at 1 January 2024	377,200	142,000	–	519,200
Net increase/(decrease) in fair value recognised in profit or loss	19,100	(28,300)	1,300	(7,900)
Transfer from property, plant, and equipment	–	–	58,900	58,900
As at 31 December 2024	<u>396,300</u>	<u>113,700</u>	<u>60,200</u>	<u>570,200</u>
Total gain/(losses) for the year included in profit or loss for assets held at the end of the year, under “fair value losses on investment properties”	<u>19,100</u>	<u>(28,300)</u>	<u>1,300</u>	<u>(7,900)</u>

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2025 and at the date of transfer by Graval Consulting Limited, an independent professional qualified valuer who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued (2024: Same). For all investment properties, their current use equates to the highest and the best use.

The Group's finance department reviews the valuations performed by the independent professional qualified valuer 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 INVESTMENT PROPERTIES (continued)

Valuation techniques

For land held for undetermined use and land held for development of investment properties, the valuation was determined using the residual method, a combination of market approach and cost approach (2024: same). The calculation of gross development value and net replacement cost with reference to comparable sales transactions assuming that the properties had been completed in accordance with the current development plan less the costs that will be incurred to complete the development. The most significant inputs into this valuation approach are gross development value and the net replacement cost.

For completed hotel and commercial complex, the valuation was determined using the income approach. The market rental of the properties are assessed and discounted at the market yield expected by investors and provision for the reversionary potential for this type of properties, of amount ranged from RMB5,000 to RMB6,000 per square foot on saleable area basis. The most significant inputs into this valuation approach are the market rents, capitalisation rates and reversionary income potential.

Information about fair value measurements using significant unobservable inputs (Level 3)

As at 31 December 2025 and 2024

Description	Fair value RMB'000	Valuation technique(s)	Significant inputs	Range of significant inputs RMB	Relationship of significant inputs to fair value
Land held for undetermined use	2025: 381,500 (2024: 396,300)	Residual method	Gross development value and net replacement cost	2025: 5,700 – 10,500 per sq.m and 2,841 per sq.m (2024: 6,000 – 11,400 per sq.m and 3,040 per sq.m)	The higher the gross development value minus net replacement cost per sq.m., the higher the fair value and vice versa.
			Remaining land use right term	2025: 16 – 26 years (2024: 17 – 27 years)	The shorter the remaining land use rights term, the lower the value and vice versa.
Land held for development of investment properties	2025: 109,500 (2024: 113,700)	Residual method	Gross development value and net replacement cost	2025: 5,700 – 10,500 per sq.m and 2,841 per sq.m (2024: 6,000 – 11,400 per sq.m and 3,040 per sq.m)	The higher the gross development value minus net replacement cost per sq.m., the higher the fair value and vice versa.
			Remaining land use right term	2025: 16 – 26 years (2024: 17 – 27 years)	The shorter the remaining land use rights term, the lower the value and vice versa.
Completed Hotel and Commercial Complex	2025: 100,400 (2024: 60,200)	Income approach	Market rent	2025: Monthly rent RMB41,667 – 202,308 (2024: Monthly rent RMB41,667-70,000)	The higher the market rent, the higher the fair value and vice versa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2025 and 2024:

Name of subsidiary	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares held by the Company (%) 2025	Proportion of ordinary shares held by the Company (%) 2024	Principal activities and place of operation
Indirectly held					
View Top Holding Limited 景騰集團有限公司	Hong Kong	HK\$10,000	100%	100%	Investment holding in Hong Kong
Guangdong Gudou Travel Group Company Limited* 廣東古兜康旅集團有限公司 (formerly known as "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%	100%	Development and operation of a resort and the development and sales of properties at the resort in the PRC
Guangdong Gudou Hotel Management Company Limited (formerly known as "Jiangmen City Gudou Travel and Hotel Management Company Limited")* 廣東古兜酒店管理有限公司 (formerly known as "江門市古兜旅遊酒店管理有限公司")	The PRC limited liability company	RMB15,000,000	100%	100%	Development of tourism projects 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%	100%	Development of tourism projects in the PRC
Jiangmen City Weisheng Business Service Company Limited (formerly known as "Jiangmen City Weisheng Investment Company Limited")* 江門市偉盛商務服務有限公司 (formerly known as "江門市偉盛投資有限公司")	The PRC limited liability company	RMB15,000,000	100%	100%	Property management in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares held by the Company (%)	Proportion of ordinary shares held by the Company (%)	Principal activities and place of operation
			2025	2024	
Jiangmen City Yueguangqu Culture and Travel Development Company Limited (formerly known as "Jiangmen City Xinhui Yueguangqu Entertainment Company Limited")*	The PRC limited liability company	RMB500,000	100%	100%	Operation of entertainment business in a resort in the PRC
江門市月光曲文化旅游發展有限公司 (formerly known as "江門市新會區月光曲娛樂有限公司")					
Jiangmen City quanxin gongyu Management Company Limited*	The PRC limited liability company	RMB1,000,000	100%	100%	Property management in the PRC
江門泉心公寓管理有限公司					
Shanghai Fengcheng Property Management Co. Ltd*	The PRC limited liability company	RMB7,000,000	100%	–	Provide management service in the PRC
上海誠瑞健康服務有限公司					

* The English names of certain subsidiaries represent the best effort by the Group's management to translate their Chinese names, as these subsidiaries do not have official English names.

22 INTERESTS IN JOINT OPERATION AND AMOUNT DUE FROM THE JOINT OPERATOR

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 INTERESTS IN JOINT OPERATION AND AMOUNT DUE FROM THE JOINT OPERATOR (continued)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 INTERESTS IN JOINT OPERATION AND AMOUNT DUE FROM THE JOINT OPERATOR

(continued)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 INTERESTS IN JOINT OPERATION AND AMOUNT DUE FROM THE JOINT OPERATOR

(continued)

In April 2024, the Court's ruling rejected GD Aoyuan appeals to the decision of discharging the Joint Operation Agreements mentioned above where and ruled that GD Aoyuan has to pay GD Gudou RMB10 million as a penalty for breach of contract. The amount has been recognised as other gains in the consolidated statement of profit or loss and other comprehensive income according to the ruling.

In May 2024, the Court's ruling concluded on the validity of the Commitment Letter and that GD Gudou has to repay the loan amounting to RMB15 million with interest at 12% per annum starting from 18 March 2021 until the loan is settled. The Group recognised the principal of the loan from the Joint Operator and the accrued interest in current liabilities in the consolidated statement of financial position.

Accounting records of the Joint Operation

After GD Aoyuan moved out from the office building of GD Gudou in November 2022 and took away all the accounting records and related supporting documents of the Joint Operation, the Group could only rely on the limited information and documents available to account for the transactions related to Joint Operation and prepare its financial information for the Group's consolidated financial statements as at and for the year ended 31 December 2022 based on its best understanding of the operation of the Joint Operation and judgement. The Group continues to be unable to obtain the books and records of the Joint Operation for the period prior to 31 December 2022 as GD Aoyuan is not cooperative. During the years ended 31 December 2025, 2024 and 2023, the Group has maintained complete record of transactions and controlled the usage of the seals and chops in relation to the Joint Operation.

In July 2025, the Group filed a claim against GD Aoyuan in relation to the unlawful retention of the Joint Operation's books and records of the Joint Operation. In January 2026, the Court's ruling concluded that GD Aoyuan is required to return the books and records in respect of land, employee, construction and accounting records etc of the joint operation to the Group.

Moreover, in 2025, the Group was successful in obtaining all bank statements of the Designated Bank Account of the Joint Operation from the PRC Bank in 2025 and was able to verify the Group's accounting records regarding the current account with GD Aoyuan prior to 2022 with the transaction activities in the Designated Bank Account and reconcile with the balances of the amount due from the joint operator in the Group's consolidated financial statements as of 31 December 2025 and 2024.

Due to the inability to obtain the accounting records of the Joint Operation from GD Aoyuan when GD Aoyuan was responsible for maintaining the books and records, the Group could not ensure if there is any unknown outstanding construction and other costs and any possible disputes with other creditors related to the Joint Operation. The Group received several claims from the contractors of the Joint Operation for the settlements of outstanding construction and other costs amounting to RMB31 million and has accrued such amount as other payables and correspondingly an amount due from the joint operator as a settlement on behalf of GD Aoyuan in 2022. No additional claims have been received since then. Nevertheless, based on the PRC legal advice, the Group considers it has the rights to claim GD Aoyuan on any possible settlements on behalf of GD Aoyuan relating to the Joint Operation and therefore, the Group will recognise settlements made on behalf of GD Aoyuan if they further receive any claims in relation to the Joint Operation's activity prior to 19 May 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 INTERESTS IN JOINT OPERATION AND AMOUNT DUE FROM THE JOINT OPERATOR (continued)

Incomplete accounting records of the Joint Operation (continued)

Nevertheless, based on the opinion from the Company's PRC lawyer (the "PRC Legal Opinion"), the Group considers it has the rights to claim GD Aoyuan on any possible settlements on behalf of GD Aoyuan relating to the Joint Operation and therefore, the Group continued to recognise the settlements made on behalf of GD Aoyuan, together with any GD Aoyuan's withdrawals from the Designated Bank Account, as amount due from the joint operator. In consideration of the liquidity condition of GD Aoyuan, the Group has recognised an impairment provision up to the Group's entitlement of the Joint Operation as stated in the Joint Operation Agreements, which has been assessed in conjunction with the settlement payable for discharge of the joint operation under the current liabilities. Since these balances arising from the Joint Operation will be settled through in a net basis of the final settlement with GD Aoyuan in respect of the Joint Operation. Accordingly, the amount due from the joint operator is impaired to the same amount of RMB64,137,000 with the corresponding settlement payable for discharge of the joint operation. Given this linkage and the expectation of offsetting settlement, the impairment provision recognised reflects management's assessment of the recoverability of the amount due from the joint operator after giving effect to the offsetting against the settlement payable for discharge of the joint operation and having regard to the terms of the Court's ruling and the PRC legal opinion.

Amount due from the joint operator

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Amount due from the joint operator	115,319	115,308
Less: allowance for impairment	(51,182)	(44,975)
	64,137	70,333

Movements on the impairment loss on amount due from the joint operator are as follows:

	2025 RMB'000	2024 RMB'000
At the beginning of the year	44,975	41,976
Impairment losses	6,207	2,999
At the end of the year	51,182	44,975

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 INTERESTS IN JOINT OPERATION AND AMOUNT DUE FROM THE JOINT OPERATOR (continued)

Amount due from the joint operator (continued)

Consolidated statement of profit or loss and other comprehensive income (continued)

Note: Amount due from the joint operator (continued)

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

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

The above impairment losses are included in “(Impairment loss)/reversal of impairment loss under expected credit loss model, net” in the consolidated statement of profit or loss and other comprehensive income.

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2025 RMB'000	2024 RMB'000
<i>Listed securities at market value</i>		
Equity security – the PRC	15	15
<i>Unlisted securities</i>		
Equity investment – the PRC	40	40
	55	55

The movements of the fair values of equity investments are as follows:

	Year ended 31 December 2025 RMB'000	Year ended 31 December 2024 RMB'000
At the beginning and the end of the year	55	55

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 PROPERTIES HELD FOR SALE

The analysis of carrying value of properties held for sale is as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Gross carrying amount	132,978	157,676
Less: Provision for loss on net realisable value	(31,472)	(37,081)
Net realisable value	101,506	120,595

Properties held for sale are stated at the lower of cost or net realisable value. The cost of properties sold charged in "cost of sales" amounted to RMB24,698,000 (2024: RMB7,170,000).

The management of the Group assessed the net realisable values of the properties held for sale as at 31 December 2025 and 2024, with reference to the valuations conducted by Gravel Consulting Limited, independent professional qualified valuer (2024: same). The net realisable values of the properties were arrived at with reference to transaction price of comparable properties in the similar or same locations with adjustments made according to nature of each property and its specific location and condition.

The management of the Group, after considering the results of valuations conducted by Gravel Consulting Limited, independent professional qualified valuer, has determined that a reversal of provision for loss of approximately RMB5,609,000 (2024: approximately RMB1,379,000) has been recognised in the profit or loss.

Upon the discharge of the Joint Operation, the Group recognised the Acquired Properties at their estimated market value of approximately RMB64,137,000 as determined by an independent professional qualified valuer appointed by the Company (Note 22).

25 INVENTORIES

Inventories comprised merchandise goods as at 31 December 2025 (2024: Same) and are stated at the lower of cost or net realisable value. The cost of goods sold charged in "cost of sales" amounted to RMB426,000 (2024: RMB4,020,000) (Note 13).

Assigning costs to inventories

The costs of individual items of inventory are determined using the weighted average basis. See note 3 for the group's other accounting policies for inventories.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 ACCOUNTS RECEIVABLE

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Accounts receivable, gross	7,614	7,348
Less: impairment allowance	(5,113)	(3,542)
Accounts receivable, net	<u>2,501</u>	<u>3,806</u>

The Group allows an average credit period ranging from 30 to 90 days (2024: 30 to 90 days) to travel agencies and corporate customers in hotel and resort operations segment. For new travel agencies and corporate customers, payment in advance is normally required. Overdue balances are reviewed regularly by the Directors.

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

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Up to 30 days	358	778
31 to 60 days	228	199
61 to 90 days	163	29
Over 90 days	6,865	6,342
	<u>7,614</u>	<u>7,348</u>
Impairment allowance	(5,113)	(3,542)
Accounts receivable, net	<u>2,501</u>	<u>3,806</u>

The Group's credit risk control and the analysis of concentration of credit risk are disclosed in Note 5(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 ACCOUNTS RECEIVABLE *(continued)*

Movements on the impairment allowance of accounts receivable are as follows:

	2025 RMB'000	2024 <i>RMB'000</i>
At the beginning of the year	3,542	8,966
Impairment loss (reversal of impairment loss)	1,571	(5,424)
	<hr/>	<hr/>
At the end of the year	5,113	3,542
	<hr/> <hr/>	<hr/> <hr/>

The above impairment loss (reversal of impairment loss) have been included in “(Impairment loss) reversal of impairment loss under expected credit loss model, net” in the consolidated statement of profit or loss and other comprehensive income.

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

27 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2025 RMB'000	2024 <i>RMB'000</i>
Prepayments	280	76
Other receivables (Note i)	11,044	7,885
Deposits (Note ii)	6,811	6,494
	<hr/>	<hr/>
	17,855	14,379
	<hr/>	<hr/>
Less: impairment allowance	(328)	(393)
	<hr/>	<hr/>
	17,807	14,062
	<hr/> <hr/>	<hr/> <hr/>

All other receivables and deposits are denominated in RMB and approximate to their fair values.

Notes:

- (i) The balance principally represented receivables from utility charges, parking fees and other sundry balances.
- (ii) The balance principally represented renovation deposits for hotel and resort operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 RESTRICTED BANK BALANCES

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Restricted bank balances	60	1,447

The carrying amounts of the Group's restricted bank balances approximate their fair values and are denominated in RMB.

Restricted bank balances as at 31 December 2025 and 2024 represented certain bank accounts frozen by the Court in relation to legal claims filed by GD Aoyuan against the Group (Note 22).

29 BANK AND CASH BALANCES

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Cash at banks	12,290	786
Cash on hand	246	664
Bank and cash balances	12,536	1,450

The carrying amounts of the Group's bank and cash balances are equivalent to their fair values and are denominated in the following currencies:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
RMB	9,204	1,419
HK\$	3,332	31
	12,536	1,450

At 31 December 2025, the Group's bank and cash balances included balances of RMB9,022,000 (2024: RMB763,000), which were deposited with banks in the PRC. The remittance of such balances out of the PRC is subject to the rules and regulations of foreign exchanges control promulgated by corresponding governments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 ACCOUNTS PAYABLE

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

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Up to 90 days	1,278	6,182
91 to 180 days	1,104	1,503
181 to 365 days	2,222	4,559
Over 1 year	52,618	42,190
	57,222	54,434

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

31 PROVISION, ACCRUALS AND OTHER PAYABLES AND CONTRACT LIABILITIES

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Contract liabilities		
Contract liabilities (Note (a))	40,792	67,279
Provision, accruals and other payables		
Staff cost payables	24,748	24,133
Payables to suppliers and contractors of the joint operator (Note (b))	30,999	30,999
Interest payable of loan from the joint operator	8,625	6,825
Other tax payables	20,677	17,819
Others (Note (c))	37,433	37,087
	122,482	116,863

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 PROVISION, ACCRUALS AND OTHER PAYABLES AND CONTRACT LIABILITIES

(continued)

The carrying amounts of the Group's provision, accruals and other payables are denominated in the following currencies:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
RMB	115,633	103,972
HK\$	6,849	12,891
	122,482	116,863

Notes:

- Contract liabilities primarily represented the proceeds received from pre-sale of properties and receipts in advance from customers in relation to hotel operation of approximately RMB33,582,000 and RMB7,210,000 (2024: RMB61,205,000 and RMB6,074,000), respectively. For the year ended 31 December 2025, revenue recognised was included in the contract liabilities balance at the beginning of the year with amount of RMB29,331,000 (2024: RMB12,097,000). See Note 22 for the details of the joint operation arrangement.
- The balances principally represented the balance payables to certain suppliers and contractors of the joint operation arrangement as at 31 December 2025. The legal claims were received from suppliers and contractors claiming the outstanding payments, tax and surcharge on the joint operation projects that are supposed to be settled by the joint operator under the joint operation arrangement in 2022. No additional claims have been received since then.
- The balances principally represented renovation payables and utilities payables to certain service providers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 BORROWINGS

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Bank borrowings repayable:		
Within one year	65,500	134,946
Within a period of more than one year but not exceeding two years	69,493	80,830
Within a period of more than two years but not exceeding five years	79,180	–
	214,173	215,776
Less: Current portion	(65,500)	(134,946)
Non-current portion	148,673	80,830

Notes:

- (a) The Group's bank borrowings were secured by guarantees issued by a subsidiary and the pledges of the Group's assets with carrying values as at 31 December 2025 and 2024 as follows:

	Notes	As at 31 December	
		2025 RMB'000	2024 RMB'000
Property, plant and equipment	18	14,939	20,363
Right-of-use assets	19	4,765	5,091
Investment properties	20	475,300	449,400
Accounts receivable	26	1,230	3,208

The Group has entered into facilities of RMB230,000,000 in March 2024 with a bank and be able to draw down from these bank facilities, subject to certain conditions, including the amounts to be drawn down and the assets that can be used as pledge. There is an unutilised amount of banking facilities of RMB205,060,000 as at 31 December 2025.

- (b) The Group has entered into a loan facility of RMB50,000,000 in December 2024 with an independent third party with an expire date of 2027. As at reporting date, the Group has not yet drawn down any amount under this facility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 BORROWINGS (continued)

Notes: (continued)

(c) The carrying amounts of the Group's borrowings are denominated in RMB.

Details of interest rates per annum are set at below:

	As at 31 December	
	2025	2024
Short-term bank borrowings (fixed rate)	3.44%	3.90%
Long-term bank borrowings (floating rate)	Nil	Nil
Long-term bank borrowings (fixed rate)	5.97%	5.97%

(d) The carrying amounts of the Group's borrowings approximate their fair values.

(e) The Group's effective interest rate of the borrowings was 5.98% (2024: 5.48%) per annum for the year ended 31 December 2025.

33 DEFERRED TAX

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

Deferred tax liabilities

	Temporary differences arising from properties <i>RMB'000</i>	Accelerated tax depreciation <i>RMB'000</i>	Total deferred tax liabilities <i>RMB'000</i>
As at 1 January 2024	142,494	4,229	146,723
Credited to profit or loss for the year (Note 12)	(1,201)	510	(691)
Charged to other comprehensive income	13,396	–	13,396
As at 31 December 2024	<u>154,689</u>	<u>4,739</u>	<u>159,428</u>
As at 1 January 2025	154,689	4,739	159,428
Credited to profit or loss for the year (Note 12)	(7,023)	1,234	(5,789)
Charged to other comprehensive income	9,596	–	9,596
As at 31 December 2025	<u>157,262</u>	<u>5,973</u>	<u>163,235</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 DEFERRED TAX *(continued)*

Deferred tax assets

	Excess of amortisation of prepaid land lease over tax allowances	Tax losses	Total deferred tax assets
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2024	(1,637)	(5,348)	(6,985)
Credited to profit or loss for the year <i>(Note 12)</i>	<u>(82)</u>	<u>–</u>	<u>(82)</u>
As at 31 December 2024	<u><u>(1,719)</u></u>	<u><u>(5,348)</u></u>	<u><u>(7,067)</u></u>
As at 1 January 2025	(1,719)	(5,348)	(7,067)
Credited to profit or loss for the year <i>(Note 12)</i>	<u>(81)</u>	<u>–</u>	<u>(81)</u>
As at 31 December 2025	<u><u>(1,800)</u></u>	<u><u>(5,348)</u></u>	<u><u>(7,148)</u></u>

Deferred 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. At the end of the reporting period, the Group has unused tax losses of approximately RMB89,175,000 (2024: RMB51,411,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB21,392,000 (2024: RMB21,392,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately RMB67,783,000 (2024: RMB30,019,000) due to the unpredictability of future profit streams. Tax losses of approximately RMB89,175,000 (2024: RMB51,411,000) are subject to expiry in 2026 to 2030 (2024: 2025 to 2029).

34 DEFERRED INCOME

Deferred income represented the subsidies from the PRC government provided to the Group to enhance and upgrade the hotel and resort facilities. The amount is 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

35 SHARE CAPITAL

	Number of shares <i>(thousands)</i>	Share capital <i>RMB'000</i>
As at 1 January 2024	1,137,186	10,051
Exercise of share options (<i>Note 16</i>)	<u>8,615</u>	<u>80</u>
As at 31 December 2024	<u><u>1,145,801</u></u>	<u><u>10,131</u></u>
Exercise of share option (<i>Note 16</i>)	23,000	210
Subscription of new shares (<i>Note</i>)	100,000	932
Subscription of new shares (<i>Note</i>)	<u>120,000</u>	<u>1,101</u>
As at 31 December 2025	<u><u>1,388,801</u></u>	<u><u>12,374</u></u>

Note:

On 22 January 2025, the Company entered into a share subscription agreement with an independent third party for subscription of 100,000,000 shares of the Company at the subscription price of HK\$0.12 per share. The share subscription was completed on 7 March 2025. The net proceed from the share subscription amounted to approximately HK\$11,712,000 (equivalents of approximately RMB10,767,000), net of the transaction costs of issuing the shares.

On 16 June 2025, the Company entered into a share subscription agreement with an independent third party for subscription of 120,000,000 shares of the Company at the subscription price of HK\$0.058 per share. The share subscription was completed on 18 August 2025. The net proceed from the share subscription amounted to approximately HK\$6,848,000 (equivalents of approximately RMB6,295,000), net of the transaction costs of issuing the shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 RESERVES

	Asset revaluation reserve RMB'000	Share premium RMB'000	Fair value reserve RMB'000	Translation Foreign currency reserve(i) RMB'000	Share- based payment reserve RMB'000	Capital reserve(ii) RMB'000	Other reserve(iii) RMB'000	Accumu- lated losses RMB'000	Total RMB'000
As at 1 January 2024	-	132,627	(3,386)	(7,298)	10,603	(277)	69,528	(27,060)	174,737
Comprehensive expense									
Loss for the year	-	-	-	-	-	-	-	(50,808)	(50,808)
Other comprehensive income/(expense), net of tax									
Currency translation differences	-	-	-	(2,695)	-	-	-	-	(2,695)
Gain on revaluation of properties, net of tax	40,185	-	-	-	-	-	-	-	40,185
Total comprehensive income/(expense) for the year	40,185	-	-	(2,695)	-	-	-	(50,808)	(13,318)
Transactions with owners in their capacity as owners									
Exercise of share options (Note 16)	-	3,071	-	-	(1,595)	-	-	-	1,476
Transfer upon lapse of share options (Note 16)	-	-	-	-	(951)	-	-	951	-
Share-based payment	-	-	-	-	1,471	-	-	-	1,471
Total transactions with owners in their capacity as owners	-	3,071	-	-	(1,075)	-	-	951	2,947
As at 31 December 2024	40,185	135,698	(3,386)	(9,993)	9,528	(277)	69,528	(76,917)	164,366

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 RESERVES (continued)

	Asset revaluation reserve RMB'000	Share premium RMB'000	Fair value reserve RMB'000	Translation Foreign currency reserve(i) RMB'000	Share- based payment reserve RMB'000	Capital reserve(ii) RMB'000	Other reserve(iii) RMB'000	Accumu- lated losses RMB'000	Total RMB'000
As at 1 January 2025	40,185	135,698	(3,386)	(9,993)	9,528	(277)	69,528	(76,917)	164,366
Comprehensive expense									
Loss for the year	-	-	-	-	-	-	-	(61,932)	(61,932)
Other comprehensive income, net of tax									
Currency translation differences	-	-	-	2,221	-	-	-	-	2,221
Gain on revaluation of properties, net of tax	28,790	-	-	-	-	-	-	-	28,790
Total comprehensive income (expense) for the year	28,790	-	-	2,221	-	-	-	(61,932)	(30,921)
Transactions with owners in their capacity as owners									
Issuance of shares upon share subscription	-	15,029	-	-	-	-	-	-	15,029
Exercise of share options (Note 16)	-	3,136	-	-	(1,181)	-	-	-	1,955
Transfer upon lapse of share options (Note 16)	-	-	-	-	(6,258)	-	-	6,258	-
Share-based payment	-	-	-	-	1,051	-	-	-	1,051
Total transactions with owners in their capacity as owners	-	18,165	-	-	(6,388)	-	-	6,258	18,035
As at 31 December 2025	68,975	153,863	(3,386)	(7,772)	3,140	(277)	69,528	(132,591)	151,480

Notes:

- (i) Translation foreign currency reserve

Currency translation differences represent the difference arising from the translation of the financial statements of the Company and certain subsidiaries, of which the functional currency is HK\$, into the financial statements of the Company as presented in RMB.

- (ii) Capital reserve

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

- (iii) Other reserve

The other reserve results from issue and lapse of puttable options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. ACQUISITION OF A SUBSIDIARY

On 30 April 2025, the Group acquired 100% interest in Shanghai Fengcheng Property Management Co. Ltd.. Shanghai Fengcheng Property Management Co. Ltd. is principally engaged provision of postpartum care services and consultancy services and for expansion of the Group's relevant business. The acquisition has been accounted for as acquisition of business using the acquisition method.

Consideration transferred

	<i>RMB'000</i>
Cash	7,040

Acquisition-related costs amounting to approximately RMB114,000 have been excluded from consideration transferred and have been recognised as an expense within the 'administrative and other expenses' line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition

	<i>RMB'000</i>
Property, plant and equipment	245
Bank and cash balances	113
Accounts receivable	505
Prepayments, deposits and other receivables	8,618
Inventories	7
Accruals and other payables	<u>(2,379)</u>
Net assets acquired	<u>7,109</u>

The accounts receivable and prepayments, deposits and other receivables acquired with a fair value of approximately RMB9,123,000 at the date of acquisition had gross contractual amounts of approximately RMB9,628,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to approximately RMB505,000.

Bargain purchase arose in the acquisition of business

Bargain purchase gain amounting to RMB69,000 on acquisition of Shanghai Fengcheng Property Management Co. Ltd., after reassessment, is recognised in profit or loss within the other gains, net, line item in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. ACQUISITION OF A SUBSIDIARY (continued)

Net cash outflow on acquisition of Shanghai Fengcheng Property Management Co. Ltd.

	<i>RMB'000</i>
Cash consideration paid	7,040
Less: cash and cash equivalents balances acquired	<u>(113)</u>
	<u><u>6,927</u></u>

Impact of acquisition on the results of the Group

Included in the profit for the year is RMB476,000 attributable to the additional business generated by Shanghai Fengcheng Property Management Co. Ltd.. Revenue for the year includes RMB1,110,000 generated from Shanghai Fengcheng Property Management Co. Ltd..

Had the acquisition of Shanghai Fengcheng Property Management Co. Ltd. been completed on 1 January 2025, revenue for the year of the Group from continuing operations would have been RMB4,126,000, and profit for the year from continuing operations would have been RMB543,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2025, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Shanghai Fengcheng Property Management Co. Ltd. been acquired at the beginning of the current year, the directors of the Company calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss for the year to cash generated from operations

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Loss before taxation	(66,017)	(51,165)
Adjustments for:		
Interest income	(2)	(5)
Gain on bargain purchase from acquisition of a subsidiary	(69)	–
Fair value losses on investment properties	18,900	7,900
Reversal of provision for loss on net realisable value of properties held for sale	(5,609)	(1,379)
Depreciation on property, plant and equipment	23,532	28,916
Depreciation on right-of-use assets	1,141	1,124
Share-based payment	1,051	1,471
Provision for (reversal of) impairment loss under expected credit loss model, net	7,713	(2,032)
Finance costs	15,188	19,619
	<hr/>	<hr/>
Operating (loss) profit before working capital changes	(4,172)	4,449
Working capital changes:		
– Properties held for sale	24,698	7,170
– Inventories	383	327
– Accounts receivable	239	6,470
– Prepayments, deposits and other receivables	4,938	(956)
– Amount due from the joint operator	(11)	(12,700)
– Restricted bank balances	1,387	(477)
– Accounts payable	2,788	2,919
– Contract liabilities	(26,487)	(10,383)
– Provision, accruals and other payables	3,439	20,747
– Deferred income	(900)	(900)
	<hr/>	<hr/>
Cash generated from operations	6,302	16,666

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Reconciliation of liabilities from financing activities

This section sets out an analysis and the movement of liabilities from financing activities:

		As at 31 December 2024	Cash inflows/ (outflows)	Non-cash movement	As at 31 December 2025
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities	19	6,393	(1,115)	1,302	6,580
Loan from the joint operator	22	15,000	–	–	15,000
Bank borrowings	32	215,776	(1,603)	–	214,173
Interest payable		6,825	(12,986)	14,786	8,625
Amount due to a director	41	1,498	8,183	–	9,681
Loan from a related party	41	7,849	–	(345)	7,504
		<u>253,341</u>	<u>5,465</u>	<u>2,757</u>	<u>261,503</u>

		As at 31 December 2023	Cash inflows/ (outflows)	Non-cash movement	As at 31 December 2024
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities	19	7,078	(1,120)	435	6,393
Loan from the joint operator	22	–	–	15,000	15,000
Bank borrowings	32	219,567	(3,791)	–	215,776
Interest payable		–	(12,359)	19,184	6,825
Amount due to a director	41	–	1,498	–	1,498
Loan from a related party	41	7,078	771	–	7,849
		<u>233,723</u>	<u>(15,001)</u>	<u>34,619</u>	<u>253,341</u>

(c) Non-cash operating, investing and financing activities

Non-cash operating, investing and financing activities disclosed in other notes are:

- Additions to right-of-use assets of RMB900,000 during the year ended 31 December 2025 (2024: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 LEASE COMMITMENTS

Operating lease commitments – lessor

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

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Within 1 year	4,406	3,389
1 to 2 years	4,307	2,803
2 to 3 years	4,300	2,707
3 to 4 years	4,395	2,673
4 to 5 years	4,399	2,731
More than 5 years	17,954	12,142
	39,761	26,445

Operating lease receivables represent stall rental receivable. Leases are negotiated for an average term of 2 to 15 years and rental are fixed over the lease terms and do not include contingent rentals.

40 FINANCIAL GUARANTEES

Guarantees on mortgage facilities

The Group provides financial guarantees on mortgage facilities at the end of each of the following reporting periods:

	2025 RMB'000	2024 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	1,291	3,173

The Group has arranged bank financing for certain purchasers of the Group's properties and provided guarantees to secure obligations of such purchaser for repayments. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of six months to one year from the completion of the guarantee registration; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 FINANCIAL GUARANTEES *(continued)*

Guarantees on mortgage facilities *(continued)*

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The Group's guarantee period starts from the date of grant of mortgage. The Directors consider that the financial guarantee measured at fair value is immaterial and no liabilities was recognised.

41 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.

As at 31 December 2025, the major shareholders of the Company are JYH Hong Kong Limited and Sky Success Ventures Limited and New Ray Developments Limited, which owned 16.42% (2024: 19.90%) 9.61% (2024: 12.48%) and 9.59% (2024: 12.48%) of the Company's issued shares respectively.

The ultimate holding company of the Group is JYH Hong Kong Limited incorporated in the Hong Kong, which is fully controlled by Mr. Han Jim Zhao Ping (2024: same).

During the year ended 31 December 2025, First-Profit Time Limited, which is fully controlled by Mrs. Hon, made available loans in the sum of RMB7,504,000, equivalents to HK\$8,350,000 (2024: RMB7,849,000, equivalents to HK\$8,350,000) to the Group with interest at HIBOR+2.5% per annum.

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 2025.

- (a) In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements during the reporting period, the Group entered into the following significant transactions with its related parties as follows:

	2025 RMB'000	2024 RMB'000
Interest expense to a related party <i>(Note a)</i>	<u>177</u>	<u>509</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 MATERIAL RELATED PARTIES TRANSACTIONS *(continued)*

(b) Balances with related parties

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Loan from a related party <i>(Note a)</i>	7,504	7,849
Amount due to a director <i>(Note b)</i>	9,681	1,498
	<u>7,504</u>	<u>1,498</u>

Notes:

(a) The amount is unsecured, interest-bearing at HIBOR +2.5% per annum. The principal amount of RMB7,504,000 and related interest are due in 2027 (2024: RMB7,849,000 are due in 2027), respectively. The loan is provided by First-Profit Time Limited, a company fully controlled by the spouse of Mr. Hon, the executive director.

(b) The amount is unsecured, interest-free and repayable on demand.

(c) Transactions with related parties

The following transaction was carried out with related parties at terms mutually agreed by both parties:

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Salary of Mrs. Hon (Spouse of an executive director)	–	5
	<u>–</u>	<u>5</u>

(d) Compensation of key management personnel of the Group:

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Salaries, bonus and allowances	2,798	3,470
Pension costs		
– defined contribution plans	75	69
Share-based payment	779	1,174
	<u>3,652</u>	<u>4,713</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

		As at 31 December	
		2025	2024
		RMB'000	RMB'000
	Note		
Non-current asset			
Investments in subsidiaries		177,233	177,233
Current assets			
Prepayments		281	–
Bank and cash balances		1	1
Amount due from a subsidiary		139,966	135,963
		140,248	135,964
TOTAL ASSETS		317,481	313,197
Current liability			
Accruals		5,265	10,717
TOTAL LIABILITIES		5,265	10,717
Capital and reserves			
Share capital		12,374	10,131
Reserves	(a)	299,842	292,349
TOTAL EQUITY		312,216	302,480
TOTAL LIABILITIES AND EQUITY		317,481	313,197

The statement of financial position of the Company was approved by the Board of Directors of the Company on 27 March 2026 and was signed on its behalf:

.....
Wu Weibin
Director

.....
Jiang Guowei
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) Reserve movement of the Company

	Share premium RMB'000	Foreign currency translation reserve (i) RMB'000	Share-based payment reserve RMB'000	Capital reserve (ii) RMB'000	Other reserve (iii) RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2024	132,627	12,013	10,603	208,587	69,528	(140,842)	292,516
Comprehensive expense							
Loss for the year	-	-	-	-	-	(7,867)	(7,867)
Other comprehensive income							
Currency translation differences	-	4,753	-	-	-	-	4,753
Total comprehensive income/(expense) for the year	-	4,753	-	-	-	(7,867)	(3,114)
Transactions with owners in their capacity as owners							
Exercise of share options (Note 16)	3,071	-	(1,595)	-	-	-	1,476
Transfer upon lapse of share options (Note 16)	-	-	(951)	-	-	951	-
Share-based payment (Note 16)	-	-	1,471	-	-	-	1,471
As at 31 December 2024	<u>135,698</u>	<u>16,766</u>	<u>9,528</u>	<u>208,587</u>	<u>69,528</u>	<u>(147,758)</u>	<u>292,349</u>
As at 1 January 2025	135,698	16,766	9,528	208,587	69,528	(147,758)	292,349
Comprehensive expense							
Loss for the year	-	-	-	-	-	(4,518)	(4,518)
Other comprehensive expense							
Currency translation differences	-	(6,024)	-	-	-	-	(6,024)
Total comprehensive expense for the year	-	(6,024)	-	-	-	(4,518)	(10,542)
Transactions with owners in their capacity as owners							
Issuance of shares upon share subscription (Note 35)	15,029	-	-	-	-	-	15,029
Exercise of share options (Note 16)	3,136	-	(1,181)	-	-	-	1,955
Transfer upon lapse of share options (Note 16)	-	-	(6,258)	-	-	6,258	-
Share-based payment (Note 16)	-	-	1,051	-	-	-	1,051
As at 31 December 2025	<u>153,863</u>	<u>10,742</u>	<u>3,140</u>	<u>208,587</u>	<u>69,528</u>	<u>(146,018)</u>	<u>299,842</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) Reserve movement of the Company (continued)

Notes:

(i) Foreign currency translation reserve

Currency translation differences represent the difference arising from the translation of the financial statements of the Company, of which its functional currency is HK\$, into the financial statements of the Company as presented in RMB.

(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.

(iii) Other reserve

The other reserve results from issue and lapse of puttable options.

PARTICULARS OF PROPERTIES

PROPERTIES HELD FOR DEVELOPMENT AND/OR SALE:

(A) Completed properties held for sale

Property name	Location	Use	Estimated approximate gross floor area	Attributable interest of the Group
Heart of Spring Apartments	A total of 4 various apartment units in Heart of Spring Apartments located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	Residential and commercial and car parks	314.0	100%
Gudou Yishui Mingting Apartments	A total of 65 various units in Gudou Yishui Mingting Apartments located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	Residential and commercial	3,898.95	100%
Guanshanyue apartments	A total of 312 various units in Gudou Guanshanyue Apartments located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	Residential	16,011.24	100%

(B) Property under development

Property name	Location	Type	Stage of completion	Expected completion date	Approximate site area	Estimated approximate gross floor area	Attributable interest of the Group
Yunshanjing Mansion	Gudou Hot Spring Resort	Residential	Construction permit obtained	2027	11,526.0	22,627.0	100%

PARTICULARS OF PROPERTIES

PROPERTIES HELD FOR INVESTMENT:

Location	Use	Tenure	Attributable interest of the Group
Four land parcels (Lot Nos. 0928000496, 440705008005GB00275, 0928000290, 440705008005GB00044) located at Gudou Hot Spring Resort, Gudou Village, Yamen Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC	To be developed	Until 12 July 2042 to 6 January 2052	100%
Fourteen land parcels (Lot Nos. 0928000316, 0928000314, 0928000299, 0928000291, 0928000497, 440705008005GX00001, 0928000494, 0928000492, 440705008005GB00111, 0928000309, 440705008005GB00110, 0928000301, 440705008005GB00232, 440705008005GB00288) located at Gudou Hot Spring Resort, Gudou Village, Yamen Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC	To be developed	Until 12 July 2042 to 19 June 2043	100%
A hot spring hotel complex know as Hot Spring Guest Lodge erected on Lot No. 0928000355 and located at Gudou Hot Spring Resort, Gudou Village, Yamen Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC	Hotel accommodation and beverage use	Until 20 September 2074	100%
A commercial complex known as Gudou International Conference Centre and erected on Lot No. 0928000344 and located at Gudou Hot Spring Resort, Gudou Village, Yamen Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC	Commercial	Until 12 July 2042	100%
A hotel development known as Holiday Lakeview Hotel and erected on Lot No. 0928000329 and located at Gudou Hot Spring Resort, Gudou Village, Yamen Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC	Accommodation and beverage use	Until 6 December 2042	100%

FINANCIAL SUMMARY OF THE GROUP

	2021	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Results					
Turnover	63,694	41,900	52,684	53,380	53,150
Loss before tax	(71,046)	(148,399)	(110,566)	(51,165)	(66,017)
Total comprehensive loss for the year attributable to owners of the Company	(69,219)	(136,781)	(98,229)	(13,318)	(30,921)
Assets and Liabilities					
Total assets	1,070,570	937,933	921,064	958,528	940,919
Total liabilities	687,221	684,932	736,276	784,031	777,065
Net assets/Total equity	383,349	253,001	184,788	174,497	163,854

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 in the Gudou Hot Spring Resort
“Board”	the board of Directors
“CG Code”	Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules
“China Aoyuan”	China Aoyuan Group Limited (中國奧園集團股份有限公司), a company incorporated under the laws of Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 3883)
“Company”	Gudou Holdings Limited (古兜控股有限公司), a company incorporated as an exempted company with limited liability in the Cayman Islands
“Director(s)”	the director(s) of the Company
“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
“GD Aoyuan”	Guangdong Aoyuan Co., Ltd.* (奧園集團(廣東)有限公司), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of China Aoyuan Group Limited
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented and/or otherwise modified from time to time as the context may require
“GFA”	gross floor area
“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

DEFINITIONS

“Group”, “our Group”, “the Group”, “us” or “our”	the Company and its subsidiaries
“Guangdong Gudou”	Guangdong Gudou Travel Group Company Limited* (廣東古兜旅遊集團有限公司), a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of View Top
“Guangdong Gudou Hotel Management”	Guangdong Gudou Hotel Management Company Limited* (廣東古兜酒店管理有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of Guangdong Gudou
“Guanshanyue Apartments”	Guanshanyue Apartments* (觀山悅公館), also known as Gudou Phase II Apartments* (古兜二期公寓), a tourism property project jointly developed by Guangdong Gudou and GD Aoyuan at Gudou Hot Spring Resort
“Gudou Hot Spring Resort”	Gudou Hot Spring Resort (古兜溫泉綜合度假村), the hot spring resort located at Jiangmen City, Guangdong Province, the PRC and operated by the Group
“Gudou 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
“Gudou Joy Hot Spring Hotel”	Gudou Joy Hot Spring Hotel (formerly known as Hot Spring Villa Hotel), one of the themed hotel complexes in the Gudou Hot Spring Resort
“Gudou Lakeview Tulip Inn Hotel”	Gudou Lakeview Tulip Inn Hotel* (古兜湖景金熙酒店), formerly known as Holiday Lakeview Hotel* (假日湖景酒店), one of the themed hotel complexes at Gudou Hot Spring Resort
“Gudou Lohas Hotel”	Gudou Lohas Hotel, (formerly known as Joyful Hotel), a themed hotel complex in the Gudou Hot Spring Resort which commenced operation in 2017
“Gudou Yishui Mingting Apartments”	Gudou Yishui Mingting Apartments* (古兜依水茗亭), also known as Yunfeng Apartments* (雲峰公寓), a tourism property project jointly developed by Guangdong Gudou and GD Aoyuan at Gudou Hot Spring Resort
“Heart of Spring Apartments”	Heart of Spring Apartments (泉心養生公寓), a completed tourism property project in the Gudou Hot Spring Resort
“HK\$” or “HK dollar(s)”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards Issued by Hong Kong Institute of Certified Public Accountants

DEFINITIONS

“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
“Joyful Apartments”	Joyful Apartments (樂活城公寓), a completed tourism property project in the Gudou Hot Spring Resort
“JYH”	JYH Hong Kong Limited, a company incorporated in the Hong Kong, which is wholly-owned by Mr. Han and is one of the controlling shareholders of the Company
“LAT”	Land Appreciation Tax
“Listing”	the listing of the Shares on GEM on 9 December 2016
“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
“Mountain Seaview Vacation Apartments”	Mountain Seaview Vacation Apartments (山海度假公寓), a completed tourism property project in the Gudou Hot Spring Resort
“Mountain Seaview Vacation Residence”	Mountain Seaview Vacation Residence (山海度假公館), a completed tourism property project in the Gudou Hot Spring Resort
“Mr. Hon”	Mr. Hon Chi Ming, founder of the Group, co-chairman of the Board, chief executive officer, an executive Director of the Company
“Mrs. Hon”	Ms. Li Wai Ling, the spouse of Mr. Hon and the mother of Mr. Hon Ka Fung, an 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” or “Year”	the year ended 31 December 2025
“Placing”	the placing of the Shares by the Company in connection with the Listing, particulars of which are set out in the Prospectus

DEFINITIONS

“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 and Taiwan
“Prospectus”	the Company’s prospectus dated 30 November 2016 issued in connection with the Listing
“RMB”	Renminbi, the lawful currency of the PRC
“RevPAR”	the Room Revenue of a hotel (including related service charges) during a period divided by Total Available Room Nights of such hotel during the same period
“Room Revenue”	revenue generated from room rates (including related service charges) of the themed hotel complexes in the Gudou Hot Spring Resort
“Royal Spa Hotel”	Royal Spa Hotel (皇家Spa酒店), one of the themed hotel complexes in the Gudou Hot Spring Resort
“Scheme”	the share option scheme of the Company adopted by the Shareholders on 18 November 2016
“Shanghai Hot Spring Hotel”	Shanghai Hot Spring Hotel, one of the themed hotel complexes in the Gudou Hot Spring Resort
“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 the Gudou Hot Spring Resort
“Target Land A”	the five parcels of land of approximately 67,860.7 sq.m. in total located at the Gudou Hot Spring Resort and legally and beneficially owned by Guangdong Gudou
“Target Land B”	the three parcels of land of approximately 63,797 sq.m. in total located at Gudou Hot Spring Resort and legally and beneficially owned by Guangdong Gudou

DEFINITIONS

“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 Business Service”	Jiangmen City Weisheng Business Service Company Limited* (江門市偉盛商務服務有限公司), which is a limited liability company established in the PRC and a wholly-owned subsidiary of Guangdong Gudou
“Yueguangqu Cultural Tourism Development”	Jiangmen City Yueguangqu Cultural Tourism Development Company Limited* (江門市月光曲文化旅遊發展有限公司), which is a limited liability company established in the PRC and a wholly-owned subsidiary of Guangdong Gudou
“Yuequan Huju Hotel”	Yuequan Huju Hotel* (月泉湖居酒店), a new themed hotel complex in the Gudou Hot Spring Resort which commenced operation in July 2019
“Yunshanjing Mansion”	Yunshanjing Mansion* (雲山境公館), also known as Gudou Phase III* (古兜三期), a tourism property project under development jointly developed by Guangdong Gudou and GD Aoyuan at Gudou Hot Spring Resort
“%”	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 are marked with “*” and is for identification purpose only.