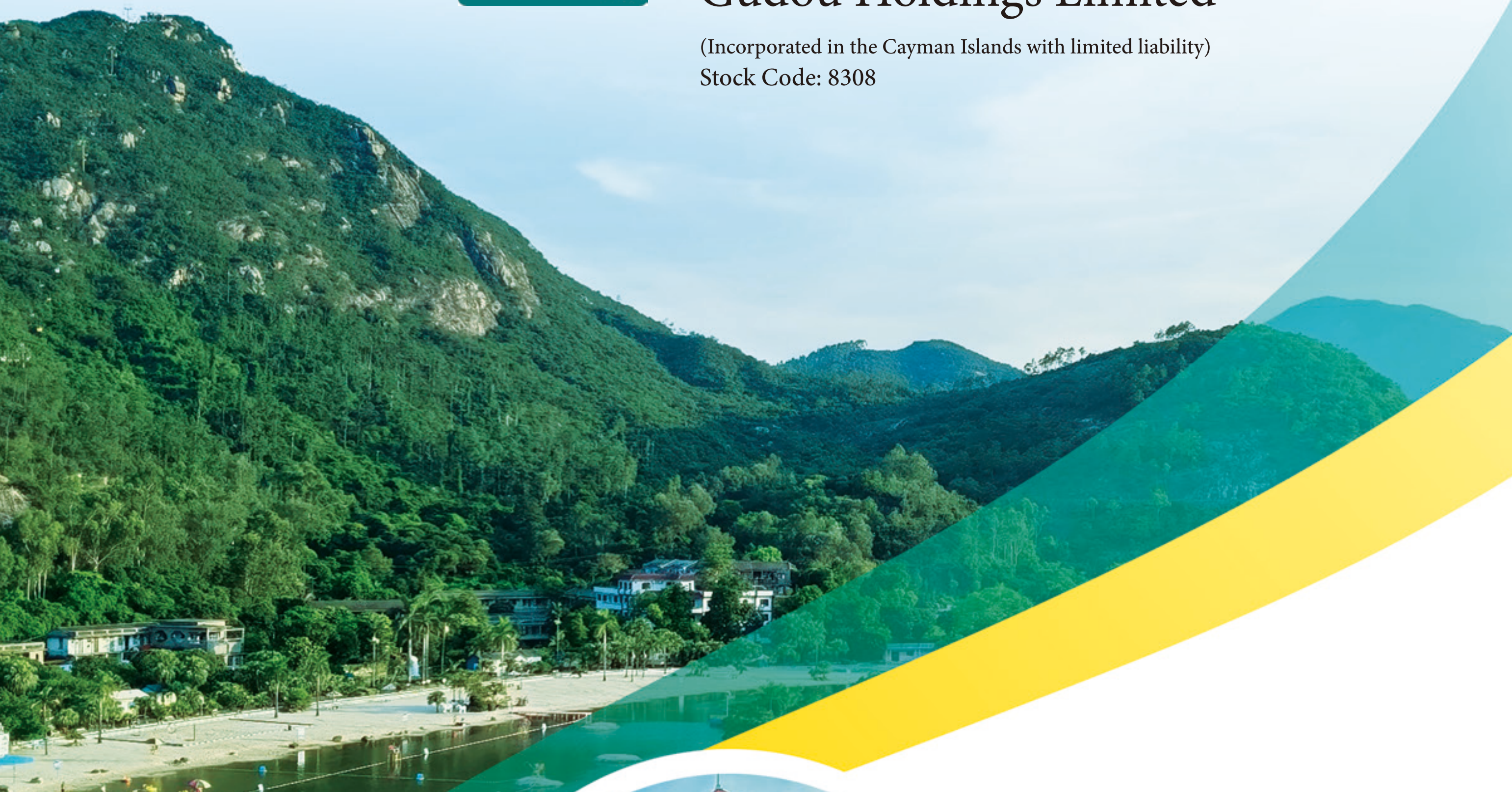
古兜控股有限公司
Gudou Holdings Limited

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



Hot Spring / Tourism
Health / Wellness

ANNUAL REPORT 2023

CHARACTERISTICS OF GEM OF THE HONG KONG STOCK EXCHANGE

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Hong Kong Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

This 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.

Contents

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 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 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. Hon Chi Ming
(Chairman and Chief Executive Officer)
Mr. Huang Zhanxiong
Mr. Liang Juquan
Mr. Hon Ka Fung (Resigned on 5 May 2023)
Mr. Wang Jun (Appointed on 5 May 2023)

Non-Executive Directors

Mr. Tam Man Chiu

Independent Non-Executive Directors

Mr. Wu Sai Him
Mr. Chiu Chi Wing (Resigned on 11 December 2023)
Mr. Chan Cheuk Ho (Appointed on 11 December 2023)
Prof. Wang Dawu (Resigned on 11 March 2024)
Ms. Zhang Shaomin (Appointed on 11 March 2024)

COMPANY SECRETARY

Mr. Cheng Kai Pui

COMPLIANCE OFFICER

Mr. Li Yanan, qualified attorney in the PRC

AUTHORISED REPRESENTATIVES

Mr. Hon Chi Ming
Mr. Cheng Kai Pui

AUDIT COMMITTEE

Mr. Chan Cheuk Ho *(Chairman)*
(Appointed on 11 December 2023)
Mr. Wu Sai Him
Prof. Wang Dawu (Resigned on 11 March 2024)
Ms. Zhang Shaomin (Appointed on 11 March 2024)

REMUNERATION COMMITTEE

Mr. Wu Sai Him *(Chairman)*
Mr. Chan Cheuk Ho (Appointed on 11 December 2023)
Prof. Wang Dawu (Resigned on 11 March 2024)
Ms. Zhang Shaomin (Appointed on 11 March 2024)

COMPLIANCE COMMITTEE

Mr. Li Yanan *(Chairman)*
Mr. Huang Zhanxiong
Mr. Wang Jun

AUDITORS

PricewaterhouseCoopers
22nd Floor
Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS

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

REGISTERED OFFICE

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

Corporate Information

STOCK CODE

8308

WEBSITE OF THE COMPANY

www.gudouholdings.com

NOMINATION COMMITTEE

Mr. Hon Chi Ming *(Chairman)*
Mr. Wu Sai Him
Mr. Chan Cheuk Ho (Appointed on 11 December 2023)
Prof. Wang Dawu (Resigned on 11 March 2024)
Ms. Zhang Shaomin (Appointed on 11 March 2024)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1206, 12th Floor
Golden Gate Commercial Building
136-138 Austin Road
Tsimshatsui, Kowloon, Hong Kong

HONG KONG LEGAL ADVISERS

Michael Li & Co.
Rooms 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

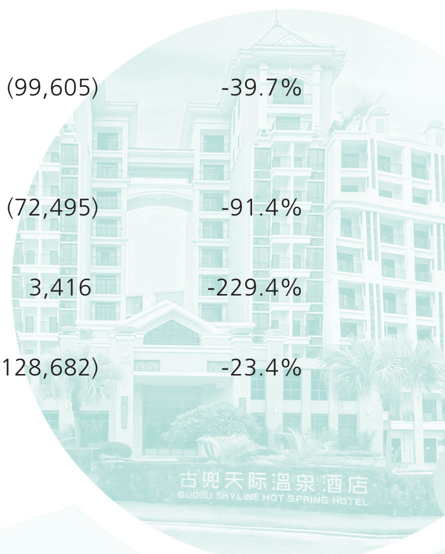
Hong Kong branch share registrar

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		
	2023	2022	Increase/
	RMB'000	*RMB'000*	(Decrease)
Revenue	**52,684**	41,900	25.7%
– Hot spring resort and hotel operations and consultancy and/or management services	**48,083**	41,481	15.9%
– Tourism property development	**4,601**	419	998.1%
Gross (loss)/profit	**(5,243)**	(41,112)	-87.2%
Loss from operations	**(92,175)**	(133,667)	-31.0%
Loss before income tax	**(110,567)**	(148,399)	-25.5%
Loss for the period and loss attributable to owners of the Company	**(98,530)**	(132,693)	-25.7%
Losses per share – basic (in RMB cents)	**(8.95)**	(13.51)	-33.8%
Losses per share – diluted (in RMB cents)	**(8.95)**	(13.51)	-33.8%

Non-HKFRS measures	For the year ended 31 December		
	2023	2022	Increase/
	RMB'000	*RMB'000*	(Decrease)
Loss before interest, tax, depreciation and amortisation (EBITDA)	**(60,076)**	(99,605)	-39.7%
Loss before interest, tax, depreciation, amortisation and fair value adjustments (EBITDAF)	**(6,226)**	(72,495)	-91.4%
Adjusted EBITDAF	**(4,420)**	3,416	-229.4%
Adjusted net loss	**(98,530)**	(128,682)	-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 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, provision for loss on net realisable value and net impairment loss on financial assets, which we do not believe are reflective of our core operating performance during the years presented.

Adjusted net loss represents 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 loss from operations to EBITDA, EBITDAF and Adjusted EBITDAF for the periods indicated:

Adjusted EBITDA	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loss from operations	**(92,175)**	(133,667)
Adjusted for:		
Depreciation of Property, Plant and Equipment	**30,189**	29,897
Depreciation of Right of use Assets	**1,910**	4,165
EBITDA	**(60,076)**	(99,605)
Less: Fair value losses on investment properties	**53,850**	27,110
EBITDAF	**(6,226)**	(72,495)
Add: Share-based payment	**–**	4,011
Less: Provision for loss on net realisable value	**1,181**	37,279
Less: Net impairment losses on financial assets	**625**	34,621
Adjusted EBITDAF	**(4,420)**	3,416

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	
	2023	2022
	RMB'000	*RMB'000*
Net loss	**(98,530)**	(132,693)
Add: Share-based payment	**–**	4,011
Adjusted net loss	**(98,530)**	(128,682)

FINANCIAL HIGHLIGHTS

Operation statistics	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Average Occupancy Rate		
Luxury Resort Hotels	**33%**	30%
Middle-end Resort Hotels	**27%**	24%
City Hotels	**N/A**	46%
Overall	**28%**	25%
Average Room Rate (RMB/room)		
Luxury Resort Hotels	**648**	675
Middle-end Resort Hotels	**204**	214
City Hotels	**N/A**	167
Overall	**283**	286
RevPAR (RMB/room)		
Luxury Resort Hotels	**217**	206
Middle-end Resort Hotels	**55**	50
City Hotels	**N/A**	77
Overall	**79**	73

Notes:

1. Luxury Resort Hotels include Royal SPA Hotel and Yuequan Huju Hotel.

2. Middle-end Resort Hotels include Gudou Lakeview Tulip Inn Hotel, Shanhai Hot Spring Hotel, Gudou Lohas Hotel and Gudou Joy Hot Spring Hotel.

3. City Hotels includes Gudou Spring Superior Hotel and Guangzhou Gudou Quanfeng Residence, which ceased business during the year.

Chairman's Statement

The year 2023 was a year of transition. China's economy turned around after the lifting of epidemic-prevention measures in 2023, with growth reaching 5.2% for the year, up from 3.0% in 2022. Lower policy rates and increased public sector investment have fuelled growth. While consumption has been the main driver of growth, the economy was hit hard by the three-year epidemic, which led to a post-epidemic downturn, a downgrading of consumption, and profound changes in travel patterns.

In 2023, the Company has been proactive in its operation where the world is recovering from the epidemic. Our hotels have resumed normal operation and were gradually starting to generate revenue, with the Company's revenue for the year growing by approximately 15.9% on a year-on-year basis. This remarkable growth is the result of our staff's dedication and professionalism in serving each and every one of our guests.

We have always been upholding the ideas of innovation, enterprise and win-win situation, and we are constantly striving to expand our business and enhance our service quality to provide better experiences for our customers. We will pay close attention to the changes in the domestic and international travel markets and flexibly adjust our product portfolio to provide more attractive travel products. In particular, Chinese travellers nowadays pay more attention to personalised services. They want to have a unique and customised experience during their trip, while they are placing more emphasis on local culture and characteristics. They want to experience local customs, food, art and so on.

Therefore, we will focus on enhancing the scenic spots, retaining the characteristics of our two springs in different places while making the old scenic hot springs more suitable for the changing tastes of young travellers. At the same time, according to the Group's development strategy of diversity and inclusion, we will add different new businesses to enrich the integrative content of Gudou, and create a new type of resort that is co-prosperous.

Gudou people come out of difficulties, as long as we do not lag behind in thinking, adhere to the "attentiveness, dedication and perseverance" spirit of enterprise, continue to work together, we can overcome the difficulties, make progress, turn the situation around, and return to our former splendour in the new year!

Last but not least, on behalf of the Board, I would like to express my sincere gratitude to the staff of the Group for their efforts and to all our shareholders and stakeholders for their continued and invaluable support to the Group.

Management Discussion and Analysis

FINANCIAL REVIEW

Turnover

For the year 2023 (the "Year"), the Group recorded turnover of approximately RMB52.7 million (2022: approximately RMB41.9 million), representing an increase of approximately 25.7% when compared with that of the previous year. The increase in turnover was primarily attributable to the increase in revenue generated from the Group's hot spring resort, hotel operations and tourism property development business. The turnover from the Group's hot spring resort and hotel operations increased by approximately 15.9% from approximately RMB41.5 million in the previous year to approximately RMB48.1 million for the Year. The growth is due to the relaxation of social distancing measures, leading to an increase in the number of visitors. The Group's revenue from its tourism property development business recorded an increase of approximately 998% from approximately RMB0.4 million for the year ended 31 December 2022 to approximately RMB4.6 million for the Year. The increase was primarily attributable to the increase in GFA delivered and sold of Gudou Yishui Mingting Apartments and Guanshanyue Apartments recorded during the Year.

Cost of Sales

The Group's cost of sales for the Year was approximately RMB57.9 million, representing a decrease of approximately 30.2% from approximately RMB83.0 million for the year ended 31 December 2022. Such decrease was primarily due to the decrease in a provision for loss on properties held for sale during the Year. The cost of sales of the Group's hot spring resort and hotel operations increased by approximately 16.1% to RMB52.9 million for the Year which was mainly attributable to the increase in staff costs, material costs and energy expenses in line with the growth of the revenue.

Gross Loss and Gross Loss Margin

The Group's gross loss for the Year was approximately RMB5.2 million, representing a decrease when compared with its gross loss of approximately RMB41.1 million for the year ended 31 December 2022. The Group's gross loss margin decreased from approximately 98.1% for the year ended 31 December 2022 to gross loss margin of approximately 10.0% for the Year, which reflected the decrease in the provision for loss on properties held for sale and the decrease in the gross loss margin for hot spring resort and hotel operations.

For the Year, the gross loss margin for hot spring resort and hotel operations was approximately 10.0% (2022: gross loss margin approximately 9.9%). The change is primarily due to an increase in revenue from the hot spring resort and hotel operations and the extent of increase in cost of sales being less than the increase in revenue from the hot spring resort and hotel operations because certain operating costs were partially fixed in nature. The gross loss margin for tourism property development for the Year was approximately 9.1% (2022: gross loss margin approximately 8,835.8%). Such increase is mainly due to the decrease in a provision for loss on properties held for sale for the Year.

Management Discussion and Analysis

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 RMB53.9 million in value, while there was a fair value loss of RMB27.1 million in previous year.

Selling Expenses

The Group's selling expenses for the Year were approximately RMB6.0 million, representing a increase of approximately 35.8% over the selling expenses of approximately RMB4.4 million for the previous year. The increase is primarily attributable to the increase in sales and other tax incurred by the Group in connection with the increased in revenue during the year.

Administrative Expenses

The Group's administrative expenses for the Year were approximately RMB26.8 million, representing a decrease of approximately 6.8% over the administrative expenses of approximately RMB28.8 million for the year ended 31 December 2022. The decrease was mainly attributable to the decrease in staff costs during the Year.

Income Tax Credit

The Group's income tax credit for the Year were approximately RMB12.0 million, representing an decrease by approximately 23.4% from approximately RMB15.7 million tax credit for the year ended 31 December 2022. The decrease is mainly due to an increase in PRC enterprise income tax and 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 RMB98.5 million, representing an decrease in loss when compared to the net loss of the Group of approximately RMB132.7 million for the year ended 31 December 2022. Such decrease in net loss was primarily attributable to the decrease in impairment losses on financial assets and the provision for loss on properties held for sale.

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 187.0%, representing a decrease in loss when compared to the net loss margin of the Group of approximately 316.7% for the year ended 31 December 2022. Such decrease was mainly due to (i) a decrease in gross loss; (ii) an increase in fair value losses on investment properties; and (iii) a decrease in impairment losses on financial assets and the provision for loss on properties held for sale.

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 2023, the Group had bank and cash balances of approximately RMB3.6 million which were denominated in RMB and Hong Kong dollars.

There is no outstanding capital commitments of the Group as at 31 December 2023 (2022: Nil).

As at 31 December 2023, the Group had an outstanding bank loan of RMB219.6 million which were denominated in RMB and Hong Kong dollars, among which approximately RMB109.2 million were fixed rate borrowings. The annual loan repayment amounted to approximately RMB64.6 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 2023, the Group had an outstanding loan from a related party of RMB7.1 million.

The Group's gearing ratio as at 31 December 2022 and 2023, which was calculated by dividing its total borrowings by its total equity as at those dates, was approximately 0.97 and 1.23, respectively. The Group's gearing ratio as at 31 December 2023 increased because of the decreased level in the total capital.

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 2023, an amount of approximately RMB457.3 million (2022: approximately RMB513.6 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

Subsequent to the discharge of the Joint Operation with GD Aoyuan, the Group has received several claims from the contractors of the Joint Operation for the settlements of outstanding construction and other costs amounting to RMB31 million. The Group has accrued the corresponding amount but considering these settlements related to the operation of the Joint Operation should be borne by GD Aoyuan in accordance with the Joint Operation Agreements, the Group has accounted for the construction costs to be settled on behalf of GD Aoyuan.

In addition, the PRC Court has not concluded the litigation on the Commitment Letter as of the announcement date and thus any possible settlement relating to this dispute is currently unknown. Nevertheless, based on the PRC legal advice, the Directors do not expect that the litigation will have a material adverse effect on the Group's financial position or results of operations. No provision for liabilities in this respect has been made in the consolidated financial information for the year ended 31 December 2023.

Exposure to Fluctuations in Exchange Rates

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

Human Resources

As at 31 December 2023, the Group had a workforce of 246 full-time employees of whom approximately 97.8% were employed in the PRC and approximately 2.2% in Hong Kong. The Group's staff costs for the years ended 31 December 2022 and 2023 amounted to approximately RMB23.9 million and RMB22.6 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, the Group paid approximately RMB37,000 (2022: RMB37,000) as the annual fee for compliance with 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.

SUPPLEMENTAL INFORMATION REGARDING THE QUALIFIED OPINION

The Company's and Audit Committee's view and position as to the Audit Qualification

The qualified opinion as disclosed in the independent auditor's report for the year ended 31 December 2023 ("Audit Qualification") is related to the limitation of scope on the financial information of a joint operation (the "Joint Operation") with Guangdong Aoyuan Company Limited ("GD Aoyuan").

Reference is made to the announcements of the Company dated 30 March 2023 and 27 April 2023 respectively. The auditor of the Company issued two letters to the Board and its audit committee of the Board, which listed out, among other things, the following major unresolved matters for which more information and/or explanation is required for the auditor to complete its audit procedures:–

(i) The consolidated financial statements of the Group for FY 2022 include the relevant financial information of the Joint Operation. The auditor understands that GD Aoyuan was primarily responsible for maintaining the books and records of the Joint Operation. The auditor was advised by the management of the Group that GD Aoyuan was not cooperative in the provision of information and records, and the auditor has not obtained all information, supporting and documents for the financial information of the Joint Operation;

(ii) The auditor circulated a confirmation to GD Aoyuan on its balance with the Group and the financial information of the Joint Operation, and received a reply stating that it disagrees with the balances with the Group; and

(iii) The auditor also received copy of documents including a commitment letter made by GD Gudou in favour of GD Aoyuan in the sum of RMB15 million and the loan agreements made between GD Gudou and GD Aoyuan in relation to the loan in the total sum of RMB50 million from a third party purportedly executed by GD Gudou, whereby the auditor of the Company had no relevant information and records.

In order to address with the audit issues as stated above, the auditor of the Company requested the Company to form an independent investigation committee to conduct an independent investigation on the above unresolved matters. Also, the Company has appointed BT Corporate Governance Limited ("BT Corporate") to conduct an independent review and prepare a review report, details of which were set out in the announcement of the Company dated 27 March 2024.

In the independent investigation report, BT Corporate found that the existence of the RMB15 million loan under the Commitment Letter is questionable. Also, BT Corporate has identified several internal control deficiencies of the Company, such as insufficient supervision on the Joint Operation, lack of written record of the background check and site visit on GD Aoyuan, inadequate internal control and no proper execution of the relevant internal control system on using seals and chops. For the details of the internal control deficiencies identified and the remedial measures taken by the Company, please refer to the announcement of the Company on 27 March 2024.

The management of the Company expects the said Audit Qualification could be removed when the disputes in relation to the Joint Operation is resolved, or when sufficient and appropriate audit evidence could be obtained. The Company is about to apply to the PRC Court for a ruling on the entitlements of sharing profits between the parties. As advised by the PRC legal adviser of the Company, the Company expects the application would be made shortly in June 2024. Depending on the schedule of the PRC Court, the ruling may be available in the latter half of 2024 or in early 2025. Meanwhile, the Company will continue to arrange for the sale of the completed property units of the Joint Operation. The sale proceeds will be kept in the Designated Bank Accounts. Upon obtaining of the PRC Court's ruling, the Company will know how the proceeds of the Joint Operation will be distributed after the liquidation of the Joint Operation. The Company is also working hard in attempt to resolve the audit limitations. As such, the management of the Company expects that, subject to the auditor's performance of alternative audit procedures in relation to the relevant scope limitation areas, the Audit Qualifications might be retained for the 1 or 2 years since the audited financial results for year ended 31 December 2023. In any event, the Company considers that since the major business segment of the Company has not been affected by the incident of the Joint Operation, the impact arising from the scope limitation of the Joint Operation is contained.

The Audit Committee is of the view that, given the Joint Operation has already been discharged with effect from 19 May 2023, once there is a ruling on the entitlements over the Joint Operation and settlements between the parties and upon the liquidation of the Joint Operation, there will no longer be any disputes with GD Aoyuan. Also, the Group is responsible for maintaining the books and records of the projects after the termination of the Joint Operation. As such, the Audit Committee expects that the necessary audit evidence can be provided for the audit purpose. The auditor will continue to work with the Company in resolving the Audit Qualification.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. HON Chi Ming

Mr. HON Chi Ming (韓志明) (formerly known as 韓明 and HAN Ming), aged 62, is the founder, chairman, chief executive officer and executive Director of the Group. He is also the president of Guangdong Gudou, and the director of all of the Group's subsidiaries, except Weisheng Business Service and Yueguangqu Cultural Tourism Development, and Guangzhou Gudou Quanfeng Hotel Management Company Limited*. He is primarily responsible for the overall management, strategic planning and development of our Group. He founded the Group in 2000. Mr. Hon graduated from South China Normal University (華南師範大學) with a bachelor's degree in physics in July 1983.

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

Mr. Hon is the sole director of Harvest Talent.

Mr. HUANG Zhanxiong

Mr. HUANG Zhanxiong (黃展雄), aged 63, is our executive Director, the vice president of Guangdong Gudou. Mr. Huang was previously mainly responsible for the overall management, strategic planning and development of our Group's resort and hotel operations. After reallocation of the Group's human resource in December 2020, Mr. Huang is currently responsible for management of the Group's resort and hotel operations with respect to the administrative affairs and scenic areas within the operations. He joined our Group in April 2006. Prior to joining our Group, from 2003 to 2006, Mr. Huang was the recreation centre manager of a hotel. Mr. Huang has been the vice president of the Second Council of Jiangmen Wuyi Catering Industry Association* (江門市五邑餐飲行業協會第二屆理事會) since October 2013.

Mr. LIANG Juquan

Mr. LIANG Juquan (梁鉅泉), aged 51, is our executive Director, the vice president of Guangdong Gudou and the director of Weisheng Business Service, Yueguangqu Cultural Tourism Development, Guangdong Gudou Jiankang Chanye Fazhan Company Limited*, Gudou Hotspring Technology development Company Limited* and Jiangmen Quanxin Gongyu Hotel Management Company Limited*. He joined our Group in October 2002. Mr. Liang was promoted progressively over the years to the vice president of Guangdong Gudou in January 2015 and is mainly responsible for the development and sales of our Group's tourism property development operation and assisting our chairman in liaising with governmental administrative departments. Mr. Liang graduated from Jiangmen City Xinhui District Technical Secondary School* (江門市新會區中等專業學校) in the PRC with a diploma in marketing in July 2001. Mr. Liang has been a qualified construction management assistant engineer* (建築工程管理助理工程師) since December 2014 as certified by the Jiangmen City Xinhui District Human Resources and Social Security Bureau* (江門市科學技術委員會). He completed a training course on the real estate development statistical reporting system* (房地產開發統計報表制度課程) provided by Guangdong Real Estate Association (廣東省房地產行業協會) in November 2007.

Biographical Details of Directors and Senior Management

Mr. WANG Jun

Mr. WANG Jun (王俊), aged 46, 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

Mr. TAM Man Chiu

Mr. Tam Man Chiu (譚文超), aged 61, is our non-executive Director. Mr. Tam joined our Group in 30 June 2022. He is currently an executive director of Guangdong Quanlin Tourism Development Company Limited* (廣東泉林旅遊開發股份有限公司). He joined Guangdong Quanlin in March 2010, and was responsible for operation management and is experienced in the tourism industry in the People's Republic of China. Mr. Tam had been a member of the standing committee of Jiangmen Committee of the Chinese People's Political Consultative Conference since 2012, and had been the chairman of Wuyi Association of Hong Kong since 2016. Mr. Tam graduated from the Jiangmen Tangxia Middle School* (江門棠下中學) in 1982. Mr. Tam is the father of Mr. Tam Ka Wai, who is the sole shareholder and director of each of Sky Success Ventures Limited and New Ray Developments Limited, each holding 145,000,000 shares of the Company (each representing approximately 14.59% of the issued share capital of the Company) and each being a substantial shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WU Sai Him

Mr. WU Sai Him (胡世謙), aged 75, is our independent non-executive Director. Mr. Wu joined our Group on 18 November 2016.

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

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

Mr. CHAN Cheuk Ho

Mr. Chan Cheuk Ho（陳卓豪）, aged 57, is our independent non-executive Director. Mr. Chan joined our Group on 11 December 2023. He obtained a bachelor's degree in business administration from the Chinese University of Hong Kong 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 Eagle Nice (International) Holdings Limited (stock code: 02368), EPS Creative Health Technology Group Limited (stock code: 03860) and Winshine Science Company Limited (stock code: 00209), all companies listed on the main board of the Stock Exchange, since November 2002, July 2021 and June 2023, respectively. He is a company secretary of Pine Technology Holdings Limited (stock code: 01079) and Super Robotics Holdings Limited (stock code: 08176), companies listed on the Stock Exchange with effect from July 2017 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 also 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), a company listed on the main board of the Stock Exchange from March 2022 to July 2022.

Ms. ZHANG Shaomin

Ms. ZHANG Shaomin（張少敏）, aged 58, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY AND OTHER SENIOR MANAGEMENT

Mr. CHENG Kai Pui

Mr. Cheng Kai Pui (鄭啟培), aged 40, is company secretary and the authorised representative of the Company. He has approximately 17 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 43, 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 2023 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 RMB52.7 million, representing a increase of approximately 25.7% when compared to that of the previous year. Such change was mainly attributable to:

(i) an increase in revenue generated from the Group's hot spring resort and hotel operations business due to the economy and society returned to normal after the epidemic, and the Group's hot spring resort and hotel operations also ushered in a recovery; and

(ii) an increase in revenue generated from the Group's tourism property development business due to the stabilizing stage in general real estate market environment and increase in units sold and delivered in Gudou Yishui Mingting Apartments and Guanshanyue Apartments during the Year.

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 increased by approximately 15.9% to approximately RMB48.1 million for the year ended 31 December 2023 as compared with that for the year ended 31 December 2022. Such increase was mainly attributable to the increase in admission income, catering income, conference fee income and rental income.

Directors' Report

The Occupancy Rate of the Group's seven themed hotel complexes increased from approximately 26% for the year ended 31 December 2022 to approximately 28% for the Year. The average room rate of the Group's seven themed hotel complexes increased from approximately RMB276.6 for the year ended 31 December 2022 to approximately RMB283.3 for the Year, primarily because Group ceased the Urban Hotels which have lower room rates.

Tourism Property Development

Revenue from the tourism property development business was approximately RMB4.6 million, representing an increase of approximately 998% from approximately RMB0.4 million for the year ended 31 December 2022. Such increase was mainly attributable to stabilizing stage in general real estate market environment during the Year. Revenue from the tourism property development business consists of the sales and delivery of Gudou Yishui Mingting Apartments totalling RMB3.7 million and the sales and delivery of Guanshanyue Apartments totalling RMB0.9 million.

During the Year, we sold and delivered 8 units (approximately 4.2% of the total saleable GFA) of Gudou Yishui Mingting Apartments and 2 units (approximately 0.5% 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 2024.

Prospect

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. We believe that people are becoming more health-conscious since the outbreak of COVID-19 and demand for health and wellness business will continue to increase.

Following the impact of COVID-19, the Group has gradually established an efficient and effective business model that could adapt to the normalization of the pandemic, and kept on striving to improve the quality of Gudou's software and hardware as well as the brand recognition. We believe that tourists will come back and search for tourism spots allowing them to maintain their wellness while on the go and consumption power will bring a prosperous future after the pandemic has passed. The Group will continue to place health and wellness at our core. We will leverage our brand asset and continue to develop attractive product and service offering such as provision of indulgent catering options and scaling up our beauty and spa services by placing emphasis on traditional Chinese healing philosophies with an aim to elevate the level of secondary consumption within our Gudou Hot spring Resort. Management will also seek opportunity to grows our hotel footprint in China to further diversify our income.

Together, we stride toward a brighter, healthier future–one where Gudou remains synonymous with well-being and rejuvenation.

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 2023. 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 2023
1. Continue to enhance the Group's position in the hot spring and hotel industry	The Group's effort in respect of enhancing its position in the hot spring and hotel industry is still ongoing.
(i) Replicate the Group's business model to operate new hot spring resorts and hotels	(i) The Group will continue to select its potential target cities based on a number of factors, including, among others, local favourable governmental 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.
(ii) Provide management services to other hot spring resort owners	(ii) The Group will continue to explore new business opportunities to provide management services to hot spring resorts owned by third party owners. The investment and development team will continue to identify and evaluate potential business opportunities.
2. Plan to expand the tourism property development business of the Group	To prepare the Group for the expansion of the tourism property development business, the 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. During the year, the Group sold and delivered 4 units of Gudou Yishui Mingting Apartments and 14 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 2024 and properties to be delivered to its customers from 2024 onwards.

Directors' Report

Business Objectives	Actual Business Progress up to 31 December 2023
3. Continue to enhance the Group's "Gudou" brand across the PRC by providing quality products and services to the customers	The Group has implemented strict quality control standards and closely monitored the product or service quality, and the workmanship of its contractors throughout the property development process in relation to the Group's tourism property development business. During the Year, the Group had also organised a number of promotional events to promote the Group's "Gudou" brand, such as: • Gudou Hot Spring and Designer Toys Carnival in January 2023 • Gudou Tang Dynasty Fair Feast in March 2023 • Gudou Green Crab Festival in April 2023 • Mid-Autumn Summer Children's Dream Water Park in June 2023 • The 11th Gudou Yamen Tianshui Radish Festival in December 2023

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.

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;

(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 34 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.

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 2023, and is expected to take place in 2024. 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.

RESERVES

As at 31 December 2023, the total reserves available for distribution to the Shareholders by the Company amounted to approximately RMB292.5 million (2022: RMB310.7 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 40 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Period are set out in note 17 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 RMB126.4 million as at 31 December 2023 (2022: RMB67.3 million) as disclosed in note 23 to the consolidated financial statements.

INVESTMENT PROPERTIES

Movements in the investment properties of the Group during the Period are set out in note 19 to the consolidated financial statements. All of the Group's investment properties were revalued by independent professional property valuer as at 31 December 2023 adopting sales comparison approach. Details of the investment properties of the Group as at 31 December 2023 are set out in the Particulars of Properties on pages 201 to 202 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.

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 57,281,000 Shares, representing 5.0% 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.

On 5 April 2017 and 20 June 2022, 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 Options				
Directors				Balance as at 1 January 2023	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Balance as at 31 December 2023
Mr. Hon	5-Apr-17	0.62 *(Note 1)*	Subject to the vesting schedule below	4,900,000	–	–	–	
	20-Jun-22	0.1742 *(Note 2)*	20/06/2022-17/11/2026	–	–	–	–	4,900,000
Mr. Huang Zhan Xiong	5-Apr-17	0.62 *(Note 1)*	Subject to the vesting schedule below	4,900,000	–	–	–	
	20-Jun-22	0.1742 *(Note 2)*	20/06/2022-17/11/2026	6,116,000	–	(421,900)	–	10,594,100
Mr. Liang Juquan	5-Apr-17	0.62 *(Note 1)*	Subject to the vesting schedule below	4,900,000	–	–	–	
	20-Jun-22	0.1742 *(Note 2)*	20/06/2022-17/11/2026	9,320,000	–	(5,954,500)	–	8,265,500
Mr. Hon Ka Fung	5-Apr-17	0.62 *(Note 1)*	Subject to the vesting schedule below	2,450,000	–	–	(2,450,000)	
	20-Jun-22	0.1742 *(Note 2)*	20/06/2022-17/11/2026	7,616,000	–	(3,172,900)	(4,443,100)	–
Mr. Wu Sai Him	5-Apr-17	0.62 *(Note 1)*	Subject to the vesting schedule below	2,450,000	–	–	–	–
	20-Jun-22	0.1742 *(Note 2)*	20/06/2022-17/11/2026	900,000	–	(300,000)	–	3,050,000
Mr. Chiu Chi Wing	5-Apr-17	0.62 *(Note 1)*	Subject to the vesting schedule below	2,450,000	–	–	(2,450,000)	
	20-Jun-22	0.1742 *(Note 2)*	20/06/2022-17/11/2026	900,000	–	(300,000)	(600,000)	–
Prof. Wang Dawu	5-Apr-17	0.62 *(Note 1)*	Subject to the vesting schedule below	2,450,000	–	–	–	
	20-Jun-22	0.1742 *(Note 2)*	20/06/2022-17/11/2026	–	–	–	–	2,450,000
Mr. Wang Jun	5-Apr-17	0.62 *(Note 1)*	Subject to the vesting schedule below	4,900,000	–			
	20-Jun-22	0.1742 *(Note 2)*	20/06/2022-17/11/2026	8,976,000	–	(5,364,500)		8,511,500
				63,228,000	–	(15,513,800)	(9,943,100)	37,771,100
Consultant Mr. Hui Chin Tong	5-Apr-17	0.62 *(Note 1)*	Subject to the vesting schedule below	7,840,000	–	–	–	7,840,000
Employee in aggregate	5-Apr-17	0.62 *(Note 1)*	Subject to the vesting schedule below	6,370,000	–	–	–	
	20-Jun-22	0.1742 *(Note 2)*	20/06/2022-17/11/2026	5,600,000	–	(300,000)	–	11,670,000
				83,038,000	–	(15,813,800)	(9,943,100)	57,281,100

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. Save as disclosed in the above table, no options were granted, exercised, forfeited and expired during the period covered by the above table.

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. Hon Chi Ming *(Chairman and Chief Executive Officer)*
Mr. Huang Zhanxiong
Mr. Hon Ka Fung *(Resigned on 5 May 2023)*
Mr. Liang Juquan
Mr. Wang Jun *(Appointed on 5 May 2023)*

Non-Executive Director

Mr. Tam Man Chiu

Independent Non-Executive Directors

Mr. Wu Sai Him
Mr. Chiu Chi Wing *(Resigned on 11 December 2023)*
Prof. Wang Dawu *(Resigned on 11 March 2024)*
Mr. Chan Cheuk Ho *(Appointed on 11 December 2023)*
Ms. Zhang Shaomin *(Appointed on 11 March 2024)*

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 2024 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 13 and 14 to the consolidated financial statements.

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, 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 2023, 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:

Long positions in the Shares

Name	Capacity/ Nature of interest	Interests in ordinary shares *(Note 1)*	Number of underlying shares held under equity derivatives	Total	Percentage of the Company's issued share capital as at 31 December 2023 *(Note 2)*
Mr Hon	Interest of a controlled corporation *(Note 3)*	346,000,000	4,900,000	350,900,000	30.86%
Mr Huang Zhanxiong	Beneficial owner *(Note 4)*	2,305,900	10,594,100	12,900,000	1.13%
Mr Wang Jun	Beneficial owner *(Note 4)*	5,888,500	8,511,500	14,400,000	1.27%
Mr Liang Juquan	Beneficial owner *(Note 4)*	6,134,500	8,265,500	14,400,000	1.27%
Mr Wu Sai Him	Beneficial owner *(Note 4)*	300,000	3,050,000	3,350,000	0.29%
Prof. Wang Dawu	Beneficial owner *(Note 4)*	900,000	2,450,000	3,350,000	0.29%

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 1,137,185,800 Shares issued as at 31 December 2023.

3. 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 336,500,000 Shares. By virtue of the SFO, Mr. Hon is deemed to be interested in all the Shares held by Harvest Talent.

4. 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 2023 are set out in the section headed "Share Option Scheme" of this report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at 31 December 2023, the interests and short positions of substantial shareholders and other persons, other than the Directors or chief executives of the Company, in the Shares and the underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	**Capacity/ Nature of interest**	**Interests in ordinary shares** *(Note 1)*	**Number of underlying shares held under equity derivatives**	**Total**	**Percentage of the Company's issued share capital as at 31 December 2023** *(Note 2)*
Harvest Talent	Beneficial owner	336,500,000	–	336,500,000	29.59%
Mrs. Hon	Interest of spouse *(Note 3)*	346,000,000	4,900,000	350,900,000	30.86%
Fu An	Beneficial owner	60,000,000	–	60,000,000	5.28%
Wealth Promise	Nominee for another person	60,000,000	–	60,000,000	5.28%
Mr. Li Chao Wang	Interest of a controlled corporation	97,500,000	–	97,500,000	8.57%
Ms. Song Min	Interest of spouse	97,500,000	–	97,500,000	8.57%
Sky Success Ventures Limited	Beneficial owner	143,000,000	–	143,000,000	12.57%
New Ray Developments Limited	Beneficial owner	143,000,000	–	143,000,000	12.57%
Mr. Tam Ka Wai	Interest of a controlled corporation	286,000,000	–	286,000,000	25.15%

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 1,137,185,800 Shares issued as at 31 December 2023.

3. By virtue of the SFO, Mrs. Hon, the spouse of Mr. Hon, is deemed to be interested in all the Shares in which Mr. Hon is interested.

4. These Shares are registered in the name of Wealth Promise as the nominee of Fu An. Wealth Promise is wholly-owned by Fu An.

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

6. By virtue of the SFO, Ms. Song Min, the spouse of Mr. Li Chao Wang, is deemed to be interested in all the Shares in which Mr. Li Chao Wang is interested.

7. Sky Success Ventures Limited and New Ray Developments Limited are wholly-owned by Mr. Tam Ka Wai. They are aggregate interested in 286,000,000 Shares since 31 December 2023.

Save as disclosed above, as at 31 December 2023, 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 its controlling shareholders of the Company (namely, Mr. Hon and Harvest Talent) had entered into a deed of non-competition, pursuant to which they have given certain non-competition undertakings in favour of the Group, including making an annual declaration as to compliance with the terms of the deed of non-competition. The Company has received from each of 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.

MANAGEMENT CONTRACTS

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

CONTRACTS OF SIGNIFICANCE TO THE BUSINESS OF THE GROUP

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

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

ARRANGEMENT TO ACQUIRE SHARES AND DEBENTURES

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

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers collectively accounted for approximately 27.6% of its total turnover for the Period (2022: approximately 36.0%) and its largest customer accounted for approximately 12.4% of the Group's total turnover for the Period (2022: approximately 11.5%).

The Group's five largest suppliers accounted for approximately 34.7% of its total purchases for the Period (2022: approximately 30.4%) and its largest supplier accounted for approximately 13.9% of the Group's total purchases for the Period (2022: approximately 9.5%).

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 39 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 (2022: Nil).

EVENTS AFTER THE REPORTING PERIOD

Except as disclosed elsewhere in the consolidated financial statements, significant event after the reporting period is as follows.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2023 have been audited by PricewaterhouseCoopers and have been reviewed by the audit committee of the Company.

On behalf of the Board of
Gudou Holdings Limited

Hon Chi Ming
Chairman
Hong Kong, 5 May 2024

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

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

During the Period, the Company has complied with the code provisions set out in the CG Code as may be applicable save for the deviations mentioned below.

Mr. Hon is currently performing the roles of chairman and chief executive officer of our Company. Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should not be performed by the same individual. Taking into account Mr. Hon's strong expertise in the hot spring and hotel industry, our Board considered that the roles of chairman and chief executive officer being performed by Mr. Hon enables more effective and efficient overall business planning, decision making and implementation thereof by our Group. In order to maintain good corporate governance and fully comply with such code provision, our Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

SECURITIES TRANSACTIONS BY DIRECTORS

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

Upon specific enquiry made with all the Directors, the Company was not aware of any non-compliance with the Model Code during the Period regarding securities transactions by Directors.

BOARD OF DIRECTORS

Board composition and responsibilities

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

Executive Directors

Mr. Hon Chi Ming *(Chairman and Chief Executive Officer)*
Mr. Huang Zhanxiong
Ms. Liang Juquan
Mr. Wang Jun

Non-Executive Director

Mr. Tam Man Chiu

Independent Non-Executive Directors

Mr. Wu Sai Him
Mr. Chiu Chi Wing (Resigned on 11 December 2023)
Mr. Chan Cheuk Ho (Appointed on 11 December 2023)
Prof. Wang Dawu (Resigned on 11 March 2024)
Ms. Zhang Shaomin (Appointed on 11 March 2024)

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.

Ms. Zhang Shaomin has on 23 May 2024 obtained the legal advice referred to in Rule 5.02D of the GEM Listing Rules and has confirmed that she understood her obligations as a director of the Company.

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

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

(i) formulating corporate development planning and restructuring;

(ii) formulating the Company's operational and management strategies;

(iii) approving capital expenditures, investments or divestments exceeding certain material limits;

(iv) approving financial statements;

(v) approving notifiable transactions and connected transactions undertaken by any member of the Group as may be required under the GEM Listing Rules;

(vi) approving the internal control and risk management systems of the Group; and

(vii) distribution of any dividend.

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

Appointment and Re-election of Directors

Each executive Director has entered into a service contract with the Company for a term of three years and each non-executive Director (including the independent non-executive Directors) has entered into a letter of appointment for a term of one or 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.

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. Hon Chi Ming	✔	✔
Mr. Huang Zhanxiong	✔	✔
Mr Liang Juquan	✔	✔
Mr. Hon Ka Fung *(Note 1)*	*Note 1*	*Note 1*
Mr Wang Jun *(Note 2)*	✔	✔
Non-executive Directors		
Mr. Tam Man Chiu	✔	✔
Independent Non-executive Directors		
Mr. Wu Sai Him	✔	✔
Mr. Chiu Chi Wing *(Note 3)*	*Note 3*	*Note 3*
Mr. Chan Cheuk Ho *(Note 4)*	✔	✔
Prof. Wang Dawu *(Note 5)*	✔	✔

Notes:

1. Mr. Hon Ka Fung resigned as an executive director on 5 May 2023.
2. Mr. Wang Jun was appointed as an executive director on 5 May 2023.
3. Mr. Chiu Chi Wing resigned as an independent non-executive director on 11 December 2023.
4. Mr. Chan Cheuk Ho was appointed as an independent non-executive director on 11 December 2023.
5. Prof. Wang Dawu resigned as an independent non-executive director on 11 March 2024.

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, half-yearly reports and quarterly reports, review significant financial reporting judgments contained in them, oversee financial reporting system, review risk management and internal control systems of our Company. The audit committee of our Company consists of three independent nonexecutive Directors, being Mr. Chan Cheuk Ho, Mr. Wu Sai Him and Prof. Wang Dawu. Mr. Chan Cheuk Ho is the chairman of the audit committee.

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. Wu Sai Him and Prof. Wang Dawu. Mr. Hon Chi Ming is the chairman of the nomination committee.

Since the 2022 audit report has not been finalised until 27 March 2024, the Board did not convene an audit committee on an annual general meeting during the Year. On 27 March 2024, the audit committee convened a meeting to review the annual results for the year ended 2022.

The Board resolved on 27 April 2023 to form the Independent Investigation Committee, comprising of Mr. Wu Sai Him, Mr. Chiu Chi Wing and Prof. Wang Dawu, all are independent non-executive Directors. Mr. Chiu Chi Wing has been appointed as the chairman of the Independent Investigation Committee ("IIC"). During the Year, the IIC held 2 meetings to follow up on the concern raised by the Auditor.

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 5 May 2024 (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.

- 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; and

- the committee shall implement other follow-up work in accordance with the decisions and feedback of the board of directors.

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 meetings, 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 three independent non-executive Directors, being Mr. Chan Cheuk Ho, Mr. Wu Sai Him and Prof. Wang Dawu. Mr. Wu Sai Him is the chairman of the remuneration committee.

The remuneration committee is authorised by the Board to determine (subject to approval by the Board), the remuneration payable to 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 3 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.

Compliance Committee

Our Company established a compliance committee on 18 November 2016 which comprises Mr. Li Yanan (our PRC legal consultant) as chairman, Mr. Huang Zhanxiong (our executive Director), 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 conducts 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 collects 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 prepares and submits a summary report quarterly to our Board on the overall compliance performance and corporate governance practices of our Company. The compliance committee 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 is 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;

(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.

Corporate Governance Report

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 0 Shareholders' meeting 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 Function Meeting	Annual General Meeting
Directors	5	0	2	3	12	1	0
Mr. Hon Chi Ming	5/5	–	2/2	–	–	1/1	N/A
Mr. Huang Zhanxiong	5/5	–	–	–	12/12	1/1	N/A
Mr. Liang Juquan	5/5	–	–	–	–	1/1	N/A
Mr. Hon Ka Fung	3/3	–	–	–	–	1/1	N/A
Mr. Wang Jun	5/5	–	–	–	12/12	N/A	N/A
Mr. Tam Man Chiu	5/5	–	–	–	–	1/1	N/A
Mr. Wu Sai Him	4/5	N/A	2/2	3/3	–	1/1	N/A
Mr. Chiu Chi Wing	4/4	N/A	2/2	3/3	–	1/1	N/A
Mr. Chan Cheuk Ho	N/A	N/A	N/A	N/A	–	N/A	N/A
Prof. Wang Dawu	5/5	N/A	2/2	3/3	–	1/1	N/A

Notes:

1. Mr. Hon Ka Fung resigned as an executive director on 5 May 2023.
2. Mr. Wang Jun was appointed as an executive director on 5 May 2023.
3. Mr. Chiu Chi Wing resigned as an independent non-executive director on 11 December 2023.
4. Mr. Chan Cheuk Ho was appointed as an independent non-executive director on 11 December 2023.
5. Since the 2022 audit report has not been finalised until 27 March 2024, the Board did not convene an audit committee meeting nor an annual general meeting during the Year.

AUDITOR'S REMUNERATION

The fees in respect of audit and non-audit services provided by the external services providers, PricewaterhouseCoopers (for audit services) and Acclime Consulting (Hong Kong) Limited (formerly known as RSM Consulting (Hong Kong) Limited) (for non-audit services) to the Group for the year ended 31 December 2023 amounted to approximately HK$1.7 million and HK$0.1 million respectively. The non-audit service represented primarily service fees for Acclime Consulting (Hong Kong) Limited acting as internal control consultant of the Group. Such non-audit services include reviewing the internal control procedures of the Group and recommending areas of improvement where appropriate.

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.

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 Acclime Consulting (Hong Kong) Limited, an external independent consultant, to conduct a review of the internal controls system of the Group in order to maintain high standards of corporate governance during the Period.

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

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality covenants will be in place when the Group enters into significant negotiations.

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

The Board and its audit committee had reviewed the adequacy and effectiveness of the Group's risk management and internal control systems semi-annually. Several areas have been considered during such reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment; and (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

Pursuant to the independent investigation report conducted by BT Corporate Governance Limited dated 25 March 2024, the Group has the following general findings: –

A. Insufficient supervision on the Joint Operation

(i) Absence of internal control policies and procedures

GD Gudou does not have a designated internal control system in operating a joint operation/ joint venture with independent third parties, so as to regulate the operation and supervision of such joint operation/ joint venture. Without an adequate written internal control system designated for joint operation/ joint venture, it would be difficult for the management of the Company to regulate and coordinate the procedures for operating and supervising such joint operation/ joint venture. As such, GD Gudou's staff would be unclear to their roles and duties in the joint operation/ joint venture, leading to the lack of management towards such joint operation/ joint venture.

(ii) Insufficient regular written follow-ups on the construction progress

GD Gudou would only orally inquire GD Aoyuan's staffs on the construction progress of the Joint Operation on a non-regular basis. Without regular written communications to monitor the construction status, the management of the Company were difficult in ensuring there was effective supervision over the construction progress of the Joint Operation.

(iii) Absence of record for usage of seals and chops

GD Gudou has made separate (i) legal representative chop of GD Gudou; (ii) chop designated for contract; and (iii) chop designated for financial use for GD Aoyuan to use. GD Aoyuan would circulate the relevant agreements and the updated register of contract for GD Gudou's review whenever GD Aoyuan used the chops as mentioned above.

BT discovered that GD Gudou heavily relied on GD Aoyuan's filing of the register of contracts and the record of the use of company chops in monitoring the usage of the Company chops. GD Gudou did not regularly ask GD Aoyuan's for the records (such as the register of contracts, the relevant agreements or the record of the use of the Company's chops) to supervise the usage of the Company chops.

In the absence of the reviewing of GD Aoyuan's record in using GD Gudou's chops, the management of the Company would be difficult to confirm or monitor the proper usage of the abovementioned chops.

(iv) Inadequate financial document filing system

GD Aoyuan would send financial documents including but not limited to management accounts, general ledger and bank statements to GD Gudou to prepare the consolidated financial statements of the Group. When GD Aoyuan moved out from the office of the Joint Operation, they took away all the accounting vouchers and supporting documents which GD Gudou did not have any copies or records of such documents. Accordingly, the management of the Group was unable to verify or validate the financial information of the Joint Operation *(v)* ***Insufficient supervision on the fund flow of the Joint Operation's bank accounts***

According to BT's interview with the management of the Group, although the four bank accounts of the Joint Operation were under the name of GD Gudou, they were also managed by GD Aoyuan. At the same time, GD Aoyuan did not regularly monitor the background and nature of the fund flow in the bank accounts

(vi) ***Lack of regular reconciliation of balances under the Joint Operation with GD Aoyuan***

According to BT's interview with Mr. Wang, both GD Gudou and GD Gudou would have funding need in the course of the running the Joint Operation. In the event that either of the party have the funding need and there is sufficient funds in the Joint Operation account, both parties can, with the mutual consent of the parties, withdraw funding from the Joint Operation account and settle such withdrawal afterwards. Also, both GD Aoyuan and GD Gudou were able to withdraw or deposit funds into the bank accounts but there was no regular reconciliation of the records nor maintenance of any statement for record. Also, GD Gudou would only question GD Aoyuan when any issue arose. As such, it was difficult for GD Gudou to confirm the balance in the bank account of the Joint Operation of GD Gudou or GD Aoyuan respectively.

B. Lack of written record of the background check and site visit on GD Aoyuan

During the investigation, BT Corporate found that, prior to entering into the Joint Operation Agreement, the management of the Company had visited GD Aoyuan's projects to understand the sale of properties by GD Aoyuan. The management had also reviewed the financial report of GD Aoyuan to confirm whether GD Aoyuan was in good financial condition.

However, after such background check and site visit, GD Gudou did not produce corresponding written record. In the absence of the background check and site visit record, the management of the Company would find it difficult to ensure whether the selection of the any third parties as business partner(s) has undergone appropriate investigation and approval procedures.

C. Inadequate internal control

(i) ***Inadequate system for using and managing seals***

The Company has implemented a management system for company seals and chops since 9 September 2020, which included the template of the application form for using the company seals and chops and lending out the seals and chops, seal management, scope of using the seals and chops and the process for lending out the seals and chops. However, it does not include the keeping and update of the forms nor the procedure of application and approval of using the seals and chops.

(ii) ***Lack of management system for signed agreements and commitment letters***

The Group did not implement a written management system in relation to agreements and commitment letters, including but not limited to the signing process of agreements and commitment letters, the bookkeeping of agreements and commitment letters, and he management and update of contract register.

(iii) ***Lack of management system for bank loans***

The Group has no system and standardised procedure for obtaining loan facilities to regulate such process. As such, it would be difficult for he management of the Company to regulate and unify the work procedures of the related staffs, leading to the failure to minimize the confusion arose among the daily operations.

D. No proper execution of the relevant internal control system on using seals and chops

As mentioned above, the Company has implemented a management system for company seals and chops since 9 September 2020. However, such system was not properly executed in certain circumstances. For instance, in relation to the execution of some of the agreements in relation to the Joint Operation, despite both agreements were duly executed by using the Company seal and the legal representative seal, BT Corporate found out that the applicant only designed an "Agreement evaluation form" and filed the same for approval with signature by the relevant representatives and did not follow the rule in the management system for company seals and chops, which is to file an application with the application form for using Company seal. According to representatives of the Company, such "Agreement evaluation forms" were already signed by Mr. Hon, Mr. Leung and Mr. Wang, the executive Directors, and hence there is no further need to file the application form.

E. Absence of a litigation record

There are no records for litigation cases concerning GD Gudou have been made. Hence, the management could not effectively monitor the latest progress of each cases from time to time, leading to substantial risk of delaying follow-ups with the cases.

F. Unsatisfactory electronic system using practice

(i) Absence of a corporate email server

The Group's staffs used personal emails for business purposes, which created difficulties to distinguish between working emails and personal emails. Also, due to privacy reasons, individuals might be reluctant to allow inspection over their personal emails, leading to inconvenience for conducting investigation.

(ii) Absence of Corporate communication platform e.g. Corporate WeChat

The Group's staffs used personal account on WeChat for business purposes, which created difficulties to distinguish between private and work contacts and messages.

(iii) Absence of corporate mobile equipment

The Group's staffs used personal cellphones for businesses. As such, due to privacy reasons, it would be difficult to obtain the personal cellphones for making static images for investigation.

(iv) Absence of corporate computer

The Group did not provide individual computer for each of the staffs when conducting businesses. Thus, some of the staffs used their own personal computers at work. As such, staffs may not provide their personal computers to the investigator due to privacy reason to facilitate the investigation.

(v) Absence of document control measures

The Group's staffs could use personal inventories for business communication, such as personal phones and personal computers, which makes the documentation of documents difficult, leading to the potential risk of loss and leakage of documents.

In order to rectify the internal control deficiencies identified, the Group has adopted the following major measures:–

(i) Design and implement a suitable internal control system and bookkeeping system for the Group, in particular, the Gorup has implemented a set of project management guideline which includes internal control guidelines and bookkeeping guidelines for conducting projects with third parties;

(ii) Strength the chops and seals using mechanism including (a) the implementation of guidelines for the process of approval and signing of agreements and undertaking letters and the corresponding filing system; (b) regular training for staffs of the Group on such guidelines; and (c) designating Mr. Hon Chi Ming and Mr. Huang Zhanxiong, the executive Directors for the approval and using of chops and seals of the Group;

(iii) Design and adopt a proper written strategy and system covering the procedure for updating the register of contract and forms for lending and using of company chops and seals, and approval, handling and recording procedures of agreements, etc.

(iv) to follow up with the construction progress on a regular basis and maintain written records of such follow up;

(v) to avoid allowing third parties to use bank accounts under the Group's name;

(vi) To regularly reconcile financial statements with cooperating parties;

(vii) Devise a set of policies on background check and site visits on cooperating parties, and to maintain corresponding written record for approval from responsible person, chief financial controller and chairman of the Board;

(viii) Implement a recording system of litigation cases and designated staff members to update the records from time to time;

(ix) To redesign the information information technology usage protocol and system by various measures, such as arrange an office email for each of the staffs for main channel of business communications, adopt a corporate email server to allow records emails to be kept on the server, creation of a corporate Wechat Channel for internal and external communications, provision of work cellphones for staffs for business use, provision of official company computer for staff members' at work, and arranging a document server to centralise the storage of documents and records.

To further strengthen the internal control of the Company, the Company has already engaged BT Corporate Governance Limited as an internal control consultant to further assess the overall internal control system of the Group and to assist on deploying any further remedial actions to be taken by the Company if necessary.

The Board and its audit committee are of the view that the remedial measures taken by the Company are adequate to address the internal control issues on the following basis:–

(i) the Company has already implemented a set of project management guideline which includes internal control guidelines and bookkeeping guidelines for conducting projects with third parties, such that there is a written guidance for staffs of the Company to follow whenever there is another project with third parties;

(ii) the chops and seals using mechanism is strengthened through the implementation of guidelines, regular training and designating more senior personnel in the approval of using chops and seals of the Group. With the implementation of a more systematic mechanism, the change of the misuse of the chops and seals of the Group will be vastly decreased; and

(iii) There will also be a recording system of litigation cases, and there will be designated staff members to update the records from time to time. With the recording system, it will be easier for the management of the Company to monitor all the litigation cases of the Group, and to handle the cases promptly.

The Board has reviewed the remedial measures taken by the Company and the internal control measures in place. As the Company has already implemented the remedial measures to address the identified internal control issued, the Company has in place adequate and effective risk management and internal control systems.

Save as disclosed above, the Board and its audit committee were not aware of any material internal control defects during the Period.

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.

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 5 May 2024 (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.

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 quarterly, interim and annual reports, the publish and posting of notices, announcements and circulars on the GEM website and the Company's website in order to maintain a high level of transparency.

CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published its memorandum of association and the Articles on the respective websites of the Stock Exchange and the Company. 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 2023.

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 discharges, 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
Hon Chi Ming
Chairman of the Board

Hong Kong, 24 May 2024

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 eighth 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 2023 to 31st December 2023 (the "Period", "FY2023").

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.

- "Balance" Principle:

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

- "Consistency" Principle:

  The Report is the seventh ESG Report of the Group. The 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 5 May 2024.

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 1501, 15th Floor, Phase II of Austin Tower, No. 152 Austin Road, 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.

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	• Annual reports, interim reports, ESG Reports and other public information • Supervision and inspection
Shareholder and investor	• 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	• Training • Meetings • Performance evaluation • Survey
Customer	• Fax, email and telephone • Meetings
Supplier/Subcontractor/ Business Partner	• Meetings • Site visits • Survey • Training

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 interal policies. 28 issues were identified and grouped into 4 categories:Environment,Employment,and Laboure Practices Operating Practices andCommunity.

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.ata-scoreofaverage) and prioritised a list of sustainability issues.

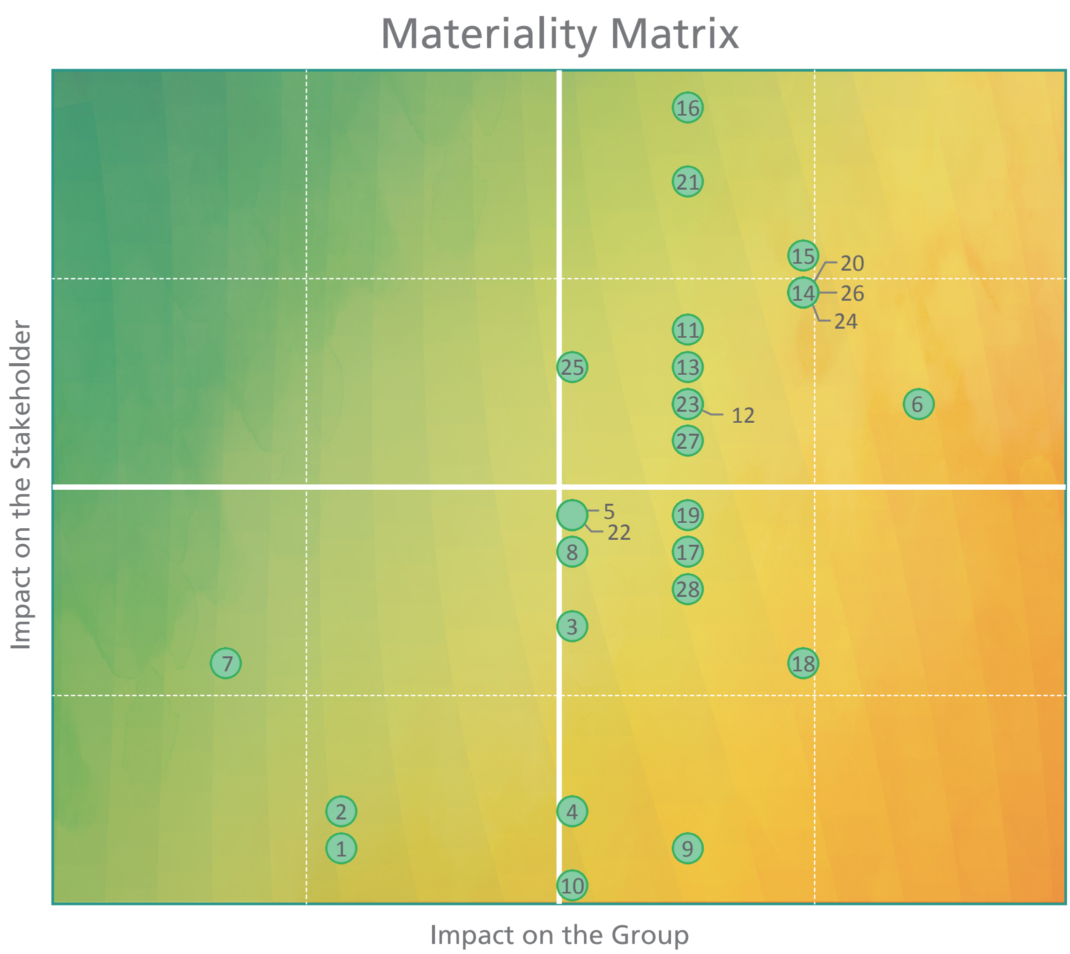
Stage 3-Validation

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.

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:

Water Efficiency	Employment Practices	Anti-discrimination	Staff Occupational Health and Safety	Staff Development and Training
Prohibition of Child Labour and Forced Labour	Customers' Privacy and Confidentiality	Customer Satisfaction	Quality of Services/Products	Anti-corruption Training for Management and Employees



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.

In addition, the Group advocates energy saving and carbon reduction, and is committed to achieving sustainable operations. To this end, we have set clear emission reduction targets, compared with the 2021 baseline, and strive to achieve the following targets:

- Reduction of air emission by 5% in 2024; 8% by 2026 and 10% by 2030;
- Reduction of energy consumption 5% in 2024; 8% by 2026 and 10% by 2030;
- Reduce water consumption 5% in 2024; 8% by 2026 and 10% by 2030; and
- Reduce waste disposal by 5% in 2024; 8% by 2026 and 10% by 2030.

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**	**2023**	**2022**
Nitrogen oxides ("NO_x")	kg	17.10	10.52
Sulphur oxides ("SO_x")	kg	0.32	0.17
Particulate matter ("PM")	kg	0.91	0.69

The increase in air pollutants was mainly due to the increased use of vehicles as the Group's business operations grew during the period.

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

- **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.

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 Stock Exchange.

Wastes generation from our operations are as follows:

Wastes	Handling Method	Unit	2023	2022
Non-hazardous wastes		tonnes	963.6	517.8
Domestic Wastes	Landfill	tonnes	963.6	517.8
Total		tonnes	963.6	517.8
Intensity	**Approximate tonnes per million RMB[2] revenue**		18.28	12.36

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 2022 ("FY2022"), there was an increase in non-hazardous wastes generation during the Period due to the business operations grew. 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》).

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.

2 The Group's annual revenue was approximately RMB41.9 million and RMB52.7 million in FY2022 and during the Period respectively.

- **Greenhouse gas (GHG) emission which include carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O)**

  These greenhouse gases 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 generates smokes and fumes. Greenhouse gases are also derived from vehicles of guests who visit our Gudou Hot Spring Resort. The Group also 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 emissions[3].

Greenhouse Gas (GHG) Emissions

In response to the community's gradual concern on greenhouse gas ("GHG") emissions, climate changes and other related issues, the Group is committed to implementing and maintaining a high standard of greenhouse gas management. The GHG emissions[4] are as follows:

	Unit	**2023**	**2022[5]**
Scope 1[6]	tonnes CO_2-equivalent	183.8	100.3
Scope 2[7]	tonnes CO_2-equivalent	3,553.0	3,730.6
Total	**tonnes CO_2-equivalent**	**3,736.8**	**3,830.9**
Intensity	**tonnes CO_2-equivalent per million RMB[2] revenue**	**76.3**	**91.4**

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 The calculation of greenhouse gas emissions is made reference to 2022年度全國電網平均排放因子published by中華人民共和國生態環境部辦公廳.

5 Revision of carbon emission calculations and intensity for FY2022.

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

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

Scope 1 emission from fossil fuel consumption in our operations contributed to around 4.9% 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 95.1% of our total emissions which is the major source of our GHG emission. There was an approximately 2.5% decrease on the total amount of GHG emission of the Period in compare with FY2022. 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 3,553.0 tonnes (2022: approximately 3,730.6 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.

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》),
- the 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（黃茅海）, 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 1,431,521 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 62 public pools and 134 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.

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 1,431.5 thousand tonnes.

	Unit	**2023**	**2022**
Domestic Water	Thousand tonnes	1,198.6	1,019.6
Hot Spring Water	Thousand tonnes	232.9	177.8
Total	**Thousand tonnes**	**1,431.5**	**1,197.4**
Intensity	**Approximate tonnes per million RMB[2] revenue**	**29.2**	**28.6**

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.

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:

	Unit	2023	2022
Diesel	MWh	223.4	155.7
Petroleum	MWh	178.9	108.1
Liquefied Petroleum Gas ("LPG")	MWh	330.2	145.5
Electricity	MWh	6,230.0	6,541.4
Total	**MWh**	**6,962.5**	**6,950.7**
Intensity	**MWh per RMB[2] revenue**	**142.1**	**165.9**

During the Period, energy consumption had increased around 0.2% due to the business operations grew, which also increased 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 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.

Papers, on the other hand, is also consumed in our offices in our hotel resorts 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. We aim to reduce emissions by around 5% by 2024 8% by 2026 and ensure the Group's greenhouse gas emissions will comply with the local requirements on or before 2030. 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.

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 how the Group responds 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
Governance	• 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

Environmental, Social and Governance Report

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)	• Physical risks from extreme weather events • Securing the skills and capability required to implement climate strategy	• New services to help communities decarbonise • Technologies to enhance the performance of operation and energy efficiency
Medium term (5 years)	• 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	• Transitioning to low carbon economy market to meet government decarbonisation targets • Opportunities arising from transition enablers
Medium to long term (5+ years)	• 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 said the Group's contribution to or detraction from the transition to a lower-carbon economy	• 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

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 in place 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 adopted to put in place along the Group's value chain helping 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: – Maintenance of a Contingency Plan for all facilities To address extreme heat and increased temperature: – Maintain cooling equipment in good conditions To address the risk of water shortage and drought: – To maintain water tank(s) in facilities if possible – Purchase drinking water with sufficient storage To address flooding risks: – 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

Relevant part of the value chain	Relevant measures
Retails	Through engagement events, inform customers of the initiatives already undertaken to increase system resilience
Services	– 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 are prepared to address the threats climate change poses both to our business and to the communities that we serve. We are determined to deliver on our purpose to provide safe, reliable, and affordable services for 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 for the support of 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.

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 carries out annual review with its employees on their performance during the Period, during which process each employee is given equal opportunity for promotion. The Group's employees are provided with a clear career path with opportunities for additional responsibilities and promotions.

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 in 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.

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**	**2023** **No. of Staff**	**2022** **No. of Staff**
By Gender		
Male	100 (42.0%)	109 (42.6%)
Female	138 (58.0%)	147 (57.4%)
By Age Group		
Below 20	0 (0.0%)	0 (0.0%)
20 – 39	76 (31.9%)	85 (33.2%)
40 – 59	143 (60.1%)	156 (60.9%)
60 or over	19 (8.0%)	15 (5.9%)
By Employment Type		
Full time	238 (100.0%)	256 (100.0%)
Part time	0 (0%)	0 (0.0%)
By Geographical Region		
PRC	236 (99.2%)	249 (97.3%)
Hong Kong	2 (0.8%)	7 (2.7%)
Total	**238**	**256**

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.

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 12.2% (FY2022: 28.1%). The detailed turnover numbers and percentage are as follow:

Turnover[8]	**2023 No. of Staff**	**2023 Turnover rate (%)**	**2022 No. of Staff**	**2022 Turnover rate (%)**
By Gender				
Male	15	15.0%	33	33.0%
Female	14	10.1%	67	67.0%
By Age Group				
Below 20	0	–	0	–
20 – 39	10	13.2%	67	44.1%
40 – 59	15	10.5%	32	17.0%
60 or over	4	21.1%	1	6.3%
By Geographical Region				
PRC	27	11.4%	97	28.0%
Hong Kong	2	100%	3	30.0%
Overall	**29**	**12.2%**	**100**	**28.1%**

During the Period, the Group has adjusted its business size to achieve more effective operating cost control, as a result the number of employees had a significant decrease as well as achieving a decrease in turnover rate.

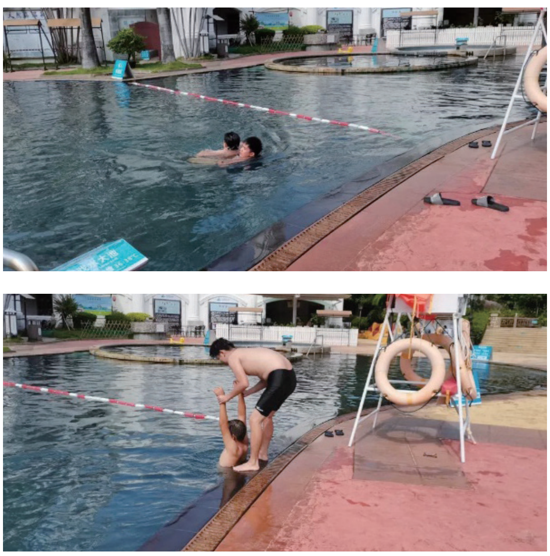
8 Turnover rate = Number of employees left the Group during the Period/ (Number of employees left the Group during the Period + Number of employees as at the end of the Period).

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.

Front Desk Receptionist Competition

Fire Safety Skills Competition



Lifesaving Competition

Employee Award Ceremony

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

- 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.

Staff Education and Development

Employees are our valuable assets. The Group simultaneously pursuits on the business development and investment on our staff. 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.

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 238 total number of employees received training and offered a total of 451.5 training hours. The details are as follows:

Percentage of Employee Receiving Training[9]	**2023**	**2022**
By Gender		
Male	100%	96.3%
Female	100%	99.3%
By Employment Category		
Managerial Staff	100%	90.7%
General Staff	100%	100%
Part-time Staff	–	–
Overall	**100%**	**98.0%**

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

Average Training Hours[10]	2023 Hours per Employee	2022 Hours per Employee
By Gender		
Male	0.4	0.4
Female	3.0	2.1
By Employment Category		
Managerial Staff	0.2	0.6
General Staff	2.3	1.6
Part-time Staff	–	–
Overall	**1.9**	**1.4**

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 is to use 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 apply such practices by requiring all personnel with supply chain management responsibilities are trained to ensure, to the extent practicable, that selected suppliers are legally compliant in respect of services and products provided to the Group, especially with respect to compliance with laws against slavery and human trafficking, and other employment-and environment-related laws.

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

Conformity by suppliers with the relevant industrial standards and ethical business norms in their supply of services and products to the Group is one of the supplier selection criteria that the Group takes into account. Suppliers' fulfilment of the environment (such as the promotion of environmentally preferrable 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 2023, 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 on 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.

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》).

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 compliants from guests, they will be handled by the hotel staff as and when needed. Compliant 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. No trademarks registered in the PRC and Hong Kong in 2023.

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.

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 in 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.

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 by 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 support of initiatives that benefit the communities we work in pursuit of a better tomorrow. The Group has been developing in recent years but has not forgotten 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 any construction work commences, 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 up 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 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

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

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

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

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

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

pwc 羅兵咸永道

To the Shareholders of Gudou Holdings Limited
(incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

What we have audited

The consolidated financial statements of Gudou Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 107 to 200, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our qualified opinion

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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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BASIS FOR QUALIFIED OPINION

Limitation of scope on the financial information of a joint operation with Guangdong Aoyuan Company Limited

As set out in Note 21 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 dated 16 July 2019 and 30 June 2020 for the development of 8 parcel of land in Gudou Jiangmen, the People's Republic of China (the "PRC") (the "Joint Operation"), of which the Joint Operation was subsequently discharged based on the court's ruling with effective date on 19 May 2023. As at 31 December 2023, the Group recognised an amount due from the joint operator of RMB45,632,000 (net of impairment loss recognised of RMB41,976,000) arising from the Joint Operation.

During the course of our previous audit, we received copies of two loan agreements dated 2019 involving GD Gudou, being the borrower, and GD Aoyuan, being the lender, totalling not more than RMB50,000,000 (the "Loan Agreements") and a commitment letter made by GD Gudou in favour of GD Aoyuan of RMB15,000,000 in 2021 (the "Commitment Letter") from anonymous source of which we were previously not made aware nor were we informed by GD Aoyuan or the Group of the Loan Agreements and 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 Accounts 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. Accordingly, the Directors established an independent investigation committee to investigate the Loan Agreements and the Commitment Letter in April 2023 (the "Investigation"). Based on independent review report from the independent professional advisor (the "Independent Review Report"), they found the validity of the Loan Agreements and the Commitment Letter and the existence of the loan of RMB15 million under the Commitment Letter to be questionable. Based on the finding of the Investigation and the Group's understanding of the operation of the Joint Operation, unless the court would ultimately conclude otherwise, the Group considers that the usage by GD Gudou of the RMB15 million deposited by GD Aoyuan was within the boundaries of the Joint Operation and not for private usage, suggesting that the RMB15 million could not have been a loan and continue to be accounted for as amount due from/to the joint operator without fixed term and interest.

The Investigation is subject to several limitations in respect of the nature and extent of the procedures conducted, including but not limited to, inability to obtain the financial record and supporting documents of the Joint Operation and to conduct interview with GD Aoyuan and some of the major service providers of the Joint Operation. We encountered similar and other limitations when we conducted the extended procedures in our previous audit. In particular, we requested the Group to arrange interview with GD Aoyuan but the Group was unable to access GD Aoyuan and therefore we were not able to obtain explanation about the reasons of disagreement of the balance in GD Aoyuan's confirmation reply received during our audit in the previous year and to enquire about the reasons of non-disclosure of the Loan Agreements and the Commitment Letter to us previously.

BASIS FOR QUALIFIED OPINION *(continued)*

Limitation of scope on the financial information of a joint operation with Guangdong Aoyuan Company Limited *(continued)*

In addition, under the Joint Operation, amongst others, GD Aoyuan was responsible for maintaining the books and records of the Joint Operation and operating a designated bank account for the Joint Operation. Management represented that 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. Hence, the Group was unable to obtain a complete set of books and records of the Joint Operation for the purpose of our audit in the previous year.

We have previously qualified our opinion in respect of the Company's consolidated financial statements for the year ended 31 December 2022 due to the limitation of scope as mentioned above as we were unable to obtain sufficient audit evidence or perform alternative procedures to satisfy ourselves as to (i) the nature of the balance of amount due from/to the joint operator alleged to be related to the Loan Agreements and the Commitment Letter and whether any adjustment is required to accrue for interest on the relevant balance for the year ended 31 December 2022; and whether any adjustment is required on the corresponding impairment provision made on the amount due from the joint operator for the year ended 31 December 2022; (ii) the completeness of construction and other costs incurred that might affect the cost of the property held for sale as at 31 December 2022 as well as the corresponding impact on the related impairment loss for the year ended 31 December 2022; (iii) the accuracy, validity, completeness and valuation of the balance of amount due from the joint operator as of 31 December 2022 and the validity, accuracy, completeness and presentation of other transactions (apart from sales of property units) of the Joint Operation and whether the effects of these transactions, including the related cashflows, have been properly accounted for and disclosed in the consolidated financial statements as at and for the year ended 31 December 2022.

Upon the court's ruling on discharging the Joint Operation Agreement with effective date on 19 May 2023, the Group accounted for the discharge of the Joint Operation Agreements as an asset acquisition of a jointly controlled assets from the joint operator (the "Acquired Properties"). The Group recognised the Acquired Properties at their estimated market value as determined by an independent valuer appointed by the Company and a corresponding settlement payable for the discharge of joint operation agreements. Thereafter, the Group started to recognise the entire revenue arising from the sale of the properties and all expenses incurred for the property development activities in the consolidated statement of comprehensive income. 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 year ended 31 December 2023, the Group has maintained complete record of transactions and controlled the usage of the seals and chops in relationship to the Joint Operation.

BASIS FOR QUALIFIED OPINION *(continued)*

Limitation of scope on the financial information of a joint operation with Guangdong Aoyuan Company Limited *(continued)*

Despite the abovementioned developments, our audit is subject to limitation of scope as we were still unable to obtain the books and records of the Joint Operation for the period prior to 31 December 2022 and to access GD Aoyuan to resolve the limitation of scope in our previous audit as well as to obtain direct confirmation of the balance as at 31 December 2023.

In view of the above scope limitation, there were no alternative audit procedures that we could perform to satisfy ourselves as to

(i) the nature of the balance of amount due from/to the joint operator alleged to be related to the Loan Agreements and the Commitment Letter as at 31 December 2023 and whether any adjustment is required to accrue for interest on the relevant balance for the year ended 31 December 2023; and

(ii) the accuracy, validity, completeness and valuation of the balance of amount due from the joint operator as of 31 December 2023; and whether any adjustment is required on the corresponding impairment provision made on the amount due from the joint operator for the year ended 31 December 2023.

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

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

Independence

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

Independent Auditor's Report

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw your attention to Note 2.3 to the consolidated financial statements, which states that the Group incurred a net loss of approximately RMB98,529,000 during the year ended 31 December 2023 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB353,272,000. Included in its current liabilities were borrowings, accounts payable, other payables, settlement payable for discharge of the joint operation and current tax liabilities of approximately RMB206,267,000, RMB51,515,000, RMB54,312,000, RMB64,137,000 and RMB63,978,000, respectively, and bank and cash balances were approximately RMB3,575,000 only. 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 21 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 2.3 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.

Key audit matter identified in our audit is related to valuation for investment properties.

KEY AUDIT MATTER *(continued)*

Key Audit Matter

Valuation for investment properties

Refer to Notes 3(d), 19 and 43.4 to the consolidated financial statements.

The Group owns investment properties in the PRC. The carrying amount of investment properties was RMB519,200,000 as at 31 December 2023. For the year ended 31 December 2023, a revaluation loss of RMB53,850,000 relating to the investment properties was recognised in the consolidated statement of comprehensive income.

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

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 independent professional qualified valuer and assessed the competence, capabilities and objectivity of the valuer by verifying their qualification and discussing the scope of their work;

- Involved our internal valuation expert to assess the appropriateness of the valuation methodology adopted by the valuer; and

- 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.

We considered that the methodology and the assumptions used in the valuations were supportable in light of available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

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 identified above when it becomes available 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.

When we read the other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Au Chi Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 5 May 2024

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Note	2023 *RMB'000*	2022 *RMB'000*
Revenue	6	**52,684**	41,900
Cost of sales	12	**(57,927)**	(83,012)
Gross loss		**(5,243)**	(41,112)
Other income	7	**379**	110
Other gain, net	8	**623**	2,266
Fair value losses on investment properties	19	**(53,850)**	(27,110)
Selling expenses	12	**(5,972)**	(4,399)
Administrative expenses	12	**(26,835)**	(28,801)
Net impairment losses on financial assets	4(b)	**(625)**	(34,621)
Loss from operations		**(91,523)**	(133,667)
Finance costs	10	**(19,043)**	(14,732)
Loss before income tax		**(110,566)**	(148,399)
Income tax credit	11	**12,037**	15,706
Loss for the year attributable to owners of the Company		**(98,529)**	(132,693)
Other comprehensive (loss)/income for the year, net of tax			
Item that may be reclassified to profit or loss:			
Currency translation differences		**(17,952)**	(14,120)
Item that will not be reclassified to profit or loss:			
Currency translation differences		**18,252**	10,032
Total comprehensive loss for the year attributable to owners of the Company		**(98,229)**	(136,781)

Losses per share

	Note	2023 *RMB cents*	2022 *RMB cents*
Basic and diluted losses per share	16	**(8.95)**	(13.51)

The notes on pages 112 to 200 are an integral part of theses consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	17	**185,445**	215,467
Right-of-use assets	18	**11,820**	9,792
Investment properties	19	**519,200**	573,050
Financial assets at fair value through other comprehensive income	22	**55**	55
Deferred income tax assets	32	**6,985**	6,904
		723,505	805,268
Current assets			
Properties held for sale	23	**126,386**	67,267
Inventories	24	**2,645**	2,608
Accounts receivable	25	**4,852**	4,850
Prepayments, deposits and other receivables	26	**13,499**	10,290
Amount due from the joint operator	21	**45,632**	44,294
Restricted bank balances	27	**970**	–
Bank and cash balances	28	**3,575**	3,356
		197,559	132,665
TOTAL ASSETS		**921,064**	937,933
Current liabilities			
Accounts payable	29	**51,515**	50,933
Provision, accruals and other payables	30	**86,588**	77,375
Settlement payable for discharge of the joint operation	21	**64,137**	–
Borrowings	31	**206,267**	63,171
Lease liabilities	18	**684**	720
Current tax liabilities		**63,978**	63,291
Contract liabilities	30	**77,662**	70,421
		550,831	325,911

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Borrowings	31	**13,300**	175,863
Lease liabilities	18	**6,394**	3,798
Loan from a related party	39	**7,078**	6,406
Deferred income tax liabilities	32	**146,723**	160,104
Deferred income	33	**11,950**	12,850
		185,445	359,021
TOTAL LIABILITIES		**736,276**	684,932
Capital and reserves			
Share capital	34	**10,051**	8,804
Reserves	35	**174,737**	244,197
TOTAL EQUITY		**184,788**	253,001
TOTAL LIABILITIES AND EQUITY		**921,064**	937,933

The notes on pages 112 to 200 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 107 to 200 were approved by the Board of Directors of the Company on 5 May 2024 and were signed on its behalf.

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Hon Chi Ming

Director

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Wang Jun

Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Share capital *RMB'000*	Reserves *(Note 35)* *RMB'000*	Total equity *RMB'000*
As at 1 January 2022	8,669	374,680	383,349
Comprehensive loss			
Loss for the year	–	(132,693)	(132,693)
Other comprehensive loss			
Currency translation differences	–	(4,088)	(4,088)
Total comprehensive loss for the year	–	(136,781)	(136,781)
Transactions with owners in their capacity as owners			
Share-based payment *(Note 15)*	–	4,011	4,011
Exercise of share options *(Note 15)*	135	2,287	2,422
Total transactions with owners in their capacity as owners	135	6,298	6,433
As at 31 December 2022	8,804	244,197	253,001
As at 1 January 2023	**8,804**	**244,197**	**253,001**
Comprehensive loss			
Loss for the year	**–**	**(98,529)**	**(98,529)**
Other comprehensive income			
Currency translation differences	**–**	**300**	**300**
Total comprehensive loss for the year	**–**	**(98,229)**	**(98,229)**
Transactions with owners in their capacity as owners			
Exercise of share options *(Note 15)*	**139**	**2,388**	**2,527**
Issuance and conversion of convertible bond *(Note 34)*	**1,108**	**26,381**	**27,489**
Total transactions with owners in their capacity as owners	**1,247**	**28,769**	**30,016**
As at 31 December 2023	**10,051**	**174,737**	**184,788**

The notes on pages 112 to 200 are an integral part of theses consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations	36(a)	**9,417**	20,494
Income taxes paid		**(738)**	(3,071)
Net cash generated from operating activities		**8,679**	17,423
Cash flows from investing activities			
Interest received	7	**21**	10
Interest paid in respect of amounts capitalised in property, plant and equipment		**–**	(198)
Purchases of property, plant and equipment		**(164)**	(663)
Receipts of proceeds from disposal of an associate		**–**	14,150
Net cash (used in)/generated from investing activities		**(143)**	13,299
Cash flows from financing activities			
Interest paid		**(13,719)**	(14,732)
Proceed from a related party loan	36(b)	**672**	1,513
Proceeds from bank borrowings	36(b)	**44,640**	44,995
Repayment of bank borrowings	36(b)	**(64,107)**	(57,088)
Principal elements of lease payments		**(870)**	(3,194)
Proceeds upon exercise of share options		**2,527**	2,422
Proceeds from issuance of convertible bond	34	**22,165**	–
Net cash used in financing activities		**(8,692)**	(26,084)
Net (decrease)/increase in bank and cash balances		**(156)**	4,638
Effect of foreign exchange rate changes		**375**	(4,661)
Bank and cash balances at beginning of year		**3,356**	3,379
Bank and cash balances at end of year	28	**3,575**	3,356

The notes on pages 112 to 200 are an integral part of theses 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.

2 BASIS OF PREPARATION

2.1 Compliance with HKFRSs and Hong Kong Companies Ordinance

The consolidated financial statements of the Company have been prepared in accordance with all applicable HKFRSs issued by the Hong Kong Institute of Certified Public Accountants and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622 of the laws of Hong Kong).

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Historical cost convention

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

2.3 Going concern

During the year ended 31 December 2023, the Group reported a net loss of approximately RMB98,529,000. As at 31 December 2023, the Group's current liabilities exceeded its current assets by approximately RMB353,272,000. Included in its current liabilities were borrowings, accounts payable, other payables, settlement payable for discharge of the joint operation and current tax liabilities of approximately RMB206,267,000, RMB51,515,000, RMB54,312,000, RMB64,137,000 and RMB63,978,000, respectively, while its bank and cash balances amounted to approximately RMB3,575,000 only.

2 BASIS OF PREPARATION *(continued)*

2.3 Going concern *(continued)*

As set out in Note 4 to the consolidated financial statements, 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.

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 of the Company have reviewed a cash flow projection of the Group prepared by management covering a period of not less than twelve months from 31 December 2023 taking into consideration the following plans and measures:

(i) For the installment loans, with original due dates during the year ending 31 December 2024, amounting to RMB111,006,000 as at 31 December 2023, the Group has been actively negotiating with a bank on revising the repayment schedules to extend the due dates. For the revolving bank facilities of RMB84,200,000 as at 31 December 2023, of which RMB44,640,000 was renewed during the year ended 31 December 2023 and with maturity dates from 2024 to 2026, the Directors would further renew these bank facilities when they expire in their respective dates. Having considered the successful record of renewing the Group's borrowings, the longstanding relationships with the banks and the assets being pledged to these banks, the Directors believe that the Group will be able to renegotiate the repayment dates of the installment loans and further renew its revolving bank facilities when they expire in their respective dates.

(ii) The Group has entered into a new uncommitted bank facilities of RMB230,000,000 in March 2024 with a bank replacing one of its existing unutilised bank facilities of RMB150,000,000 expiring on 30 June 2024 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.

2 BASIS OF PREPARATION *(continued)*

2.3 Going concern *(continued)*

(iii) The Group has been actively negotiating with the relevant tax authority on the deferring of 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 2024 and 2025 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.

(iv) Riding on the gradual recovery of the Group's hotel and resort operations in 2023, the Group is cautiously optimistic that the leisure travel market and the Group's hotel and resort operations will continue to recover in 2024. The Group continues its efforts by generating cash from hotel and resort operations, delaying the settlement to key suppliers or contractors and implementing measures to further control capital and operating expenditures of the Group.

(v) 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.

(vi) 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. 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. Based on the assessment by management, the Directors considered that the obligation that the Group needs to settle to GD Aoyuan is inconsequential.

(vii) 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 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2 BASIS OF PREPARATION *(continued)*

2.3 Going concern *(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 and further renew its existing bank facilities;

(b) the Group's ability to draw down from the uncommitted bank facilities of RMB230,000,000 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 hotel and resort operations, 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.

2 BASIS OF PREPARATION *(continued)*

2.4 New and amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

Standards	Subject of amendments
HKFRS 17	Insurance Contracts
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Income Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules

The Group has adopted these new and amended standards and the adoption of these new and amended standards do not have any significant impacts on the Group's consolidated financial statements.

2.5 Amended standards and interpretation not yet adopted

Certain amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HKAS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
Hong Kong Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors of the Company are in the process of assessing the financial impact of the adoption of the above new or amended standards and interpretation. The Group will adopt these new or amended standards and interpretation when they become effective.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Useful lives of property, plant and equipment

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

(b) Impairment of property, plant and equipment 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 financial position and results of the operations.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(c) Current and deferred income tax (including LAT)

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

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimates 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 income tax expenses. 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 income tax expenses 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 a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Where the actual result is different from the original estimate, such difference will impact the carrying value of the investment properties and fair value gains/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 realizable value of inventories and properties held for sale is 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.

3 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 history, 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 4(b).

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

As disclosed in Note 21, 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 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.

4 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, amount due from the joint operator and bank balances.

4 FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Accounts receivable *(Note 25)*	**4,852**	4,850
Deposits and other receivables *(Note 26)*	**13,193**	9,462
Amount due from the joint operator *(Note 21)*	**45,632**	44,294
Restricted bank balances *(Note 27)*	**970**	–
Cash at banks *(Note 28)*	**2,882**	2,803
Maximum exposure to credit risk	**67,529**	61,409

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 2023, the five largest accounts receivable represents approximately 46% (2022: 61%) 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 2023 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.

4 FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

On that basis, the loss allowance of accounts receivable as at 31 December 2023 and 2022 was determined as follows:

	31 December 2023			31 December 2022		
	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	**0% – 7%**	**4,976**	**329**	0% – 5%	4,661	209
31 to 60 days	**7% – 60%**	**347**	**201**	5% – 60%	615	322
61 to 90 days	**10% – 80%**	**259**	**206**	10% – 80%	241	175
Over 90 days	**50% – 100%**	**8,236**	**8,230**	20% – 100%	7,674	7,635
		13,818	**8,966**		13,191	8,341

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 view of insignificant risk of default and credit risk since initial recognition, management believes that the expected credit loss under the twelve months expected losses method is immaterial.

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 RMB41,976,000 as at 31 December 2022 and 2023.

As at 31 December 2022 and 2023, all the 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.

4 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 38. 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 of the Company consider that the Group's credit risk is largely mitigated.

The impairment of financial assets of the Group comprises of:

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Impairment of accounts receivable (Note 25)	**625**	479
Impairment of amount due from the joint operator *(Note 21)*	**–**	34,142
Impairment losses on financial assets	**625**	34,621

(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.

4 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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total undiscounted cash outflows	Carrying amounts
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023						
Accounts payable	**51,515**	**–**	**–**	**–**	**51,515**	**51,515**
Other payables	**54,312**	**–**	**–**	**–**	**54,312**	**54,312**
Settlement payable for discharge of the joint operation	**64,137**	**–**	**–**	**–**	**64,137**	**64,137**
Borrowings and interest payments	**211,612**	**8,890**	**14,593**	**–**	**235,095**	**219,567**
Lease liabilities and interest payments	**1,119**	**2,016**	**1,993**	**4,686**	**9,814**	**7,078**
Loan from a related party	**–**	**7,098**	**1,874**	**–**	**8,972**	**7,078**
As at 31 December 2022						
Accounts payable	50,933	–	–	–	50,933	50,933
Other payables	55,936	–	–	–	55,936	55,936
Borrowings and interest payments	75,195	163,991	23,205	–	262,391	239,034
Lease liabilities and interest payments	1,009	494	1,328	4,019	6,850	4,518
Loan from a related party	–	6,146	1,151	–	7,297	6,406

(d) Interest rate risk

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

As at 31 December 2023, if interest rates at that date had been 10 basis points (2022: 10 basis points) higher/lower with all other variables held constant, the Group's loss after tax for the year would have been RMB71,000 (2022: RMB1,383,000) higher/lower, arising mainly as a result of higher/lower interest expense on floating rates borrowings.

4 FINANCIAL RISK MANAGEMENT *(continued)*

(e) Capital risk management

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

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

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

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.

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Interest-bearing bank borrowings	**219,567**	239,034
Interest-bearing related party borrowings	**7,078**	6,406
Total debt	**226,645**	245,440
Total capital	**184,788**	253,001
Gearing ratio	**1.23**	0.97

4 FINANCIAL RISK MANAGEMENT *(continued)*

(f) Categories of financial instruments

The Group holds the following financial instruments:

Financial assets at amortised cost	**2023** **RMB'000**	2022 RMB'000
Accounts receivable	**4,852**	4,850
Deposit and receivables	**13,193**	9,462
Amount due from the joint operator	**45,632**	44,294
Restricted bank balances	**970**	–
Bank and cash balances	**3,575**	3,356
	68,222	61,962

Financial liabilities at amortised cost	**2023** **RMB'000**	2022 RMB'000
Accounts payable	**51,515**	50,933
Other payables	**54,312**	55,936
Settlement payable for discharge of the joint operation	**64,137**	–
Borrowings	**219,567**	239,034
Lease liabilities	**7,078**	4,518
Loan from a related party	**7,078**	6,406
	403,687	356,827

(g) Fair values

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

5 FAIR VALUE MEASUREMENT

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 2023 and 2022.

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023				
Assets				
Financial assets at fair value through other comprehensive income	**15**	**–**	**40**	**55**
As at 31 December 2022				
Assets				
Financial assets at fair value through other comprehensive income	15	–	40	55

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 19 for disclosures of the investment properties that are measured at fair value.

6 REVENUE

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Hotel and resort operations		
Admission income	**10,106**	7,409
Catering income	**9,969**	6,840
Conference fee income	**657**	841
Massage service income	**598**	165
Rental income	**4,684**	1,943
Other service income	**2,542**	3,192
Merchandise sales income	**93**	159
Room revenue	**19,434**	20,932
	48,083	41,481
Tourism properties		
Property sales	**4,601**	419
	52,684	41,900
Timing of revenue recognition		
At a point in time	**24,769**	15,833
Over time	**23,231**	24,124
	48,000	39,957
Rental income	**4,684**	1,943
	52,684	41,900

6 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 value-added tax, returns and discount. Revenue is recognised as follows:

(i) Property sales

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset is transferred at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Revenue is recognised at a point in time when the customer obtains control of the properties when the above criteria are not met. Deposits and instalment received on properties sold prior to the date of revenue recognition are included 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 when the related room reservation become non-cancellable or the services are rendered.

(iii) Admission income

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

(iv) Catering income

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

(v) Conference fee income

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

(vi) Massage service income

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

6 REVENUE *(continued)*

Accounting policies of revenue recognition *(continued)*

(vii) Other service income

Other service income received from customers is recognised 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.

7 OTHER INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Interest income	**21**	10
Subsidy income	**358**	100
	379	110

8 OTHER GAIN, NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Gain/(loss) on disposal of subsidiaries *(Note)*	**586**	(518)
Gain on early termination of leases	**–**	2,784
Others	**37**	–
	623	2,266

Note:

On 10 January 2023, the Group entered into an equity transfer agreement with an independent third party to dispose of its entire 100% equity interest in a subsidiary of the Group. The gain on disposal of the subsidiary amounted to approximately RMB586,000.

On 13 July 2022, the Group entered into an equity transfer agreement with an individual to dispose of its entire 100% equity interest in certain subsidiaries of the Group. The loss on disposal of the subsidiaries amounted to approximately RMB518,000.

9 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 gains/losses on investment properties for undetermined use, finance costs, corporate income and expenses.

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

Segment assets included property, plant and equipment, right-of-use assets, investment properties, inventories, properties held for sale, amount due from the joint operator, accounts receivable, 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, settlement payable for discharge of the joint operation and deferred income.

9 SEGMENT INFORMATION *(continued)*

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

	Hotel and resort operations *RMB'000*	Property development *RMB'000*	Total *RMB'000*
For the year ended 31 December 2023			
REVENUE			
Revenue from external customers	**48,083**	**4,601**	**52,684**
RESULTS			
Segment (loss)/profit	**(42,163)**	**(9,834)**	**(51,997)**
Fair value losses on investment properties for undetermined use			**(30,370)**
Finance costs			**(19,043)**
Unallocated corporate expenses			**(9,156)**
Loss before income tax			**(110,566)**
Income tax credit			**12,037**
Loss for the year			**(98,529)**

9 SEGMENT INFORMATION *(continued)*

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

	Hotel and resort operations *RMB'000*	Property development *RMB'000*	Total *RMB'000*
As at 31 December 2023			
ASSETS			
Segment assets	340,127	188,961	529,088
Property, plant and equipment for general administrative use			3,881
Investment properties for undetermined use			377,200
Financial investments at fair value through other comprehensive income			55
Prepayments, deposits and other receivables for general administrative use			280
Deferred income tax assets			6,985
Bank and cash balances			3,575
Consolidated total assets			921,064

9 SEGMENT INFORMATION *(continued)*

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

	Hotel and resort operations *RMB'000*	Property development *RMB'000*	Total *RMB'000*
As at 31 December 2023			
LIABILITIES			
Segment liabilities	100,894	205,114	306,008
Borrowings			219,567
Current tax liabilities			63,978
Deferred income tax liabilities			146,723
Consolidated total liabilities			736,276
OTHER INFORMATION			
Interest income	14	7	21
Depreciation	30,699	414	31,113
Additions to segment non-current assets	133	–	133

9 SEGMENT INFORMATION *(continued)*

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

	Hotel and resort operations *RMB'000*	Property development *RMB'000*	Total *RMB'000*
For the year ended 31 December 2022			
REVENUE			
Revenue from external customers	41,481	419	41,900
RESULTS			
Segment loss	(28,433)	(70,941)	(99,374)
Fair value losses on investment properties for undetermined use			(19,860)
Finance costs			(14,732)
Unallocated corporate expenses			(14,433)
Loss before income tax			(148,399)
Income tax credit			15,706
Loss for the year			(132,693)

9 SEGMENT INFORMATION *(continued)*

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

	Hotel and resort operations *RMB'000*	Property development *RMB'000*	Total *RMB'000*
As at 31 December 2022			
ASSETS			
Segment assets	386,719	125,018	511,737
Property, plant and equipment for general administrative use			5,442
Investment properties for undetermined use			407,570
Financial investments at fair value through other comprehensive income			55
Prepayments, deposits and other receivables for general administrative use			2,869
Deferred income tax assets			6,904
Bank and cash balances			3,356
Consolidated total assets			937,933

9 SEGMENT INFORMATION *(continued)*

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

	Hotel and resort operations	Property development	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2022			
LIABILITIES			
Segment liabilities	83,256	139,247	222,503
Borrowings			239,034
Current tax liabilities			63,291
Deferred income tax liabilities			160,104
Consolidated total liabilities			684,932
OTHER INFORMATION			
Interest income	5	5	10
Depreciation	30,129	450	30,579
Additions to segment non-current assets	278	–	278

(ii) Geographical information:

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

10 FINANCE COSTS

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Finance costs:		
– Interest expenses on bank borrowings and loan from a related party	**13,239**	13,873
– Unwinding of interests on lease liabilities	**480**	1,057
Change in fair value of derivative component of convertible bond *(Note 34)*	**5,324**	–
Amounts capitalised to construction in progress and property, plant and equipment	**–**	(198)
Total finance costs	**19,043**	14,732

11 INCOME TAX CREDIT

For the year ended 31 December 2023, no provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong (2022: Nil). The Group's subsidiaries in the PRC are subject to the PRC enterprise income tax at a rate of 25% (2022: 25%) on estimated assessable profits.

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current tax		
PRC enterprise income tax	**1,195**	484
LAT	**230**	26
	1,425	510
Deferred income tax *(Note 32)*	**(13,462)**	(16,216)
Income tax credit	**(12,037)**	(15,706)

11 INCOME TAX CREDIT *(continued)*

The revenue from tourism property as described in Note 6 includes sales of apartments. Under the applicable tax regulations, LAT is charged at progressive rate from 30% to 60% (2022: 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% (2022: 30% to 60%) according to their best estimation. The tax credit 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	
	2023	2022
	RMB'000	*RMB'000*
Loss before income tax	**(110,566)**	(148,399)
Tax at the domestic income tax rate of 25%	**(27,642)**	(37,100)
Income not taxable	**(420)**	(611)
Expenses not deductible for tax purposes	**6,883**	12,005
Tax losses not recognised as deferred income tax assets	**8,970**	9,981
LAT	**230**	26
Tax effect on LAT deductible for calculation of income tax purpose	**(58)**	(7)
Income tax credit	**(12,037)**	(15,706)

12 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	
	2023	2022
	RMB'000	*RMB'000*
Auditors' remuneration		
– Audit services	**1,524**	1,664
– Non-audit services	**–**	–
Cost of properties sold *(Note 23)*	**3,837**	162
Cost of goods sold *(Note 24)*	**3,982**	2,399
Provision for loss on net realisable value of properties held for sale *(Note 23)*	**1,181**	37,279
Depreciation on property, plant and equipment *(Note 17)*	**30,189**	29,897
Depreciation on right-of-use assets *(Note 18)*	**1,910**	4,165
Employee benefit expenses (including directors' emoluments) *(Note 13)*	**22,567**	23,949
Legal and professional fees	**4,819**	1,415
Operating lease rental for short-term and low value leases	**1,996**	412
Utilities expenses	**3,225**	2,738
Advertising and promotion expenses	**2,778**	2,595
Miscellaneous tax	**2,774**	769
Repair and maintenance	**3,394**	3,311
Cleaning expenses	**1,393**	864
Entertainment and travelling expenses	**771**	644
Others	**4,394**	3,949
Total cost of sales, selling expenses and administrative expenses	**90,734**	116,212

13 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Salaries, bonus and allowances	**20,111**	18,034
Pension costs – defined contribution plans	**2,456**	1,904
Share-based payment *(Note 15)*	**–**	4,011
	22,567	23,949

(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 Hong Kong dollars ("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 2023, there are no forfeited contributions available to offset future retirement benefit obligations of the Group (2022: Nil).

13 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 2023 include three (2022: four) directors whose emoluments are reflected in the analysis presented in Note 14. The emoluments payable to the remaining two (2022: one) highest paid individuals during the year ended 31 December 2023 are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Salaries, bonus and allowances	**1,403**	707
Pension costs – defined contribution plans	**30**	25
Share-based payment	**–**	679
	1,433	1,411

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

	Year ended 31 December	
	2023	2022
Emolument band (in HK$)		
Nil to HK$1,000,000 (equivalent to Nil to RMB896,430)	**1**	–
HK$1,000,001 to HK$2,000,000 (equivalent to RMB896,431 to RMB1,792,860)	**1**	1
	2	1

14 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 2023				
Executive directors				
Mr. Hon Chi Ming	1,337	16	–	1,353
Mr. Huang Zhanxiong	212	–	–	212
Mr. Hon Ka Fung *(Note v)*	269	5	–	274
Mr. Liang Juquan *(Note ii)*	764	23	–	787
Mr. Wang Jun *(Note vi)*	785	25	–	810
Non-executive director				
Mr. Tam Man Chiu *(Note iv)*	60	–	–	60
Independent non-executive directors				
Mr. Wu Sai Him	205	–	–	205
Mr. Chiu Chi Wing *(Note vii)*	128	–	–	128
Prof. Wang Dawu *(Note ix)*	160	–	–	160
Mr. Chan Cheuk Ho *(Note viii)*	6	–	–	6
	3,926	69	–	3,995

14 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

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

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 2022				
Executive directors				
Mr. Hon Chi Ming	1,203	20	768	1,991
Mr. Huang Zhanxiong	416	–	647	1,063
Ms. Zhen Yaman *(Note i)*	76	–	–	76
Mr. Hon Ka Fung *(Note v)*	651	14	768	1,433
Mr. Liang Juquan *(Note ii)*	664	23	768	1,455
Non-executive director				
Mr. Ruan Yongxi *(Note iii)*	–	–	–	–
Mr. Tam Man Chiu *(Note iv)*	26	–	–	26
Independent non-executive directors				
Mr. Wu Sai Him	194	–	64	258
Mr. Chiu Chi Wing *(Note vii)*	173	–	64	237
Prof. Wang Dawu *(Note ix)*	151	–	64	215
	3,554	57	3,143	6,754

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 2023 (2022: None).

No directors waived any emoluments during the year ended 31 December 2023 (2022: None).

Notes:

(i) Resigned on 16 June 2022
(ii) Appointed on 16 June 2022
(iii) Resigned on 30 June 2022
(iv) Appointed on 30 June 2022
(v) Resigned on 5 May 2023
(vi) Appointed on 5 May 2023
(vii) Resigned on 11 December 2023
(viii) Appointed on 11 December 2023
(ix) Resigned on 11 March 2024

14 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

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

Ms. Zhang Shaomin is appointed as the independent non-executive director, 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.

(b) Directors' retirement benefits and termination benefits

No retirement benefits and termination benefits paid to the directors during the year ended 31 December 2023 (2022: 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 2023 (2022: Nil).

(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 2023 (2022: 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 (2022: Nil).

15 SHARE-BASED PAYMENTS

The Company adopted a share option scheme (the "Scheme"). The purposes of the Scheme are 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.

15 SHARE-BASED PAYMENTS *(continued)*

Share option scheme *(continued)*

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.

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 *(Note)*	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 2023 is 38,710,000 (2022: 43,610,000) 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 2023 (2022: Same).

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

15 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 2023 is 18,571,000 (2022: 39,428,000) with weighted average share price of HK$0.17 (equivalent to RMB0.15) and all of them are exercisable as at 31 December 2023 (2022: Same).

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

	2023		2022	
	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	**0.41**	**83,038**	0.62	46,060
Additions	**–**	**–**	0.17	54,300
Lapsed or forfeited	**0.40**	**(9,943)**	0.62	(2,450)
Exercise	**0.17**	**(15,814)**	0.17	(14,872)
As at 31 December		**57,281**		83,038

15 SHARE-BASED PAYMENTS *(continued)*

Share option scheme *(continued)*

During the year ended 31 December 2023, no share-based payment expense (2022: RMB4,011,000) was recognised in profit or loss (Note 13).

During the year ended 31 December 2023, share options previously granted of RMB1,983,000 (2022: RMB599,000) has been transferred from share-based payment reserve to retained profits upon the resignation of the grantees from the Group.

16 LOSSES PER SHARE

Basic

Basic losses 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	
	2023	2022
Loss attributable to owners of the Company *(RMB'000)*	**(98,529)**	(132,693)
Weighted average number of ordinary shares in issue *('000)*	**1,100,887**	982,485
Basic losses per share *(RMB cents)*	**(8.95)**	(13.51)

Diluted

Diluted losses 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 year ended 31 December 2023, share options were not assumed to be exercised/converted as they have an anti-dilutive impact due to the loss for the year attributable to owners of the Company (2022: Same).

17 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
As at 1 January 2022	201,896	41,345	258,465	7,714	3,648	513,068
Additions	–	187	–	396	278	861
Disposal	–	–	–	(1,445)	–	(1,445)
Exchange differences	–	7	10	117	–	134
As at 31 December 2022 and 1 January 2023	201,896	41,539	258,475	6,782	3,926	512,618
Additions	–	32	–	132	–	164
Transfer in/(out)	–	–	3,926	–	(3,926)	–
Disposal	–	–	–	–	–	–
Exchange differences	–	2	2	29	–	33
As at 31 December 2023	**201,896**	**41,573**	**262,403**	**6,943**	**–**	**512,815**
Accumulated depreciation						
As at 1 January 2022	126,343	34,978	100,092	7,178	–	268,591
Charge for the year	9,880	1,560	17,954	503	–	29,897
Disposal	–	–	–	(1,445)	–	(1,445)
Exchange differences	–	5	4	99	–	108
As at 31 December 2022 and 1 January 2023	136,223	36,543	118,050	6,335	–	297,151
Charge for the year	9,720	1,307	18,768	394	–	30,189
Exchange differences	–	2	1	27	–	30
As at 31 December 2023	**145,943**	**37,852**	**136,819**	**6,756**	**–**	**327,370**
Net book value						
As at 31 December 2023	**55,953**	**3,721**	**125,584**	**187**	**–**	**185,445**
As at 31 December 2022	65,673	4,996	140,425	447	3,926	215,467

17 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depreciation methods and useful lives:

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

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

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

See note 43.3 for the other accounting policies relevant to property, plant and equipment.

The carrying amount of Group's buildings amounting to RMB27,034,000 (2022: RMB34,225,000) were pledged as securities for the Group's borrowings at 31 December 2023 (Note 31).

Depreciation expenses of RMB24,864,000 (2022: RMB24,622,000) and RMB5,325,000 (2022: RMB5,275,000) 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 2023. The recoverable amount is calculated based on a valuation 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 2023 (2022: Same).

18 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

Right-of-use assets

	Leased buildings	Prepaid land lease payment	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2022			
Cost	46,168	6,721	52,889
Accumulated depreciation	(14,212)	(652)	(14,864)
Net book amount	31,956	6,069	38,025
Year ended 31 December 2022			
Opening net book amount	31,956	6,069	38,025
Early termination of leases	(24,068)	–	(24,068)
Depreciation	(3,839)	(326)	(4,165)
Closing net book amount	4,049	5,743	9,792
At 31 December 2022			
Cost	18,824	6,721	25,545
Accumulated depreciation	(14,775)	(978)	(15,753)
Net book amount	4,049	5,743	9,792
Year ended 31 December 2023			
Opening net book amount	**4,049**	**5,743**	**9,792**
Addition	**3,938**	**–**	**3,938**
Depreciation	**(1,584)**	**(326)**	**(1,910)**
Closing net book amount	**6,403**	**5,417**	**11,820**
At 31 December 2023			
Cost	**22,762**	**6,721**	**29,483**
Accumulated depreciation	**(16,359)**	**(1,304)**	**(17,663)**
Net book amount	**6,403**	**5,417**	**11,820**

Notes to the Consolidated Financial Statements

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

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

Lease liabilities

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current portion	**684**	720
Non-current portion	**6,394**	3,798
	7,078	4,518

(b) Amounts recognised in the consolidated statement of comprehensive income

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets *(Note 12)*	**1,910**	4,165
Unwinding of interests on lease liabilities *(Note 10)*	**480**	1,057
Operating lease rental for short-term and low-value leases *(Note 12)*	**1,996**	412
Gain on early termination of leases *(Note 8)*	**–**	2,784

The total cash outflow of leases for the year ended 31 December 2023 was approximately RMB3,346,000 (2022: RMB6,407,000).

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

(b) Amounts recognised in the consolidated statement of comprehensive income *(continued)*

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
In the PRC:		
Long-term leases	**728**	1,054
Medium-term leases	**4,689**	4,689
	5,417	5,743

The carrying amount of right-of-use assets of RMB6,716,000 (2022: RMB5,585,000) was pledged as securities for the Group's borrowing at 31 December 2023 (Note 31).

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 (2022: 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 (2022: 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.

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

(b) Amounts recognised in the consolidated statement of 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 43.5 for the other accounting policies relevant to leases.

19 INVESTMENT PROPERTIES

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**573,050**	600,160
Fair value losses	**(53,850)**	(27,110)
At end of year	**519,200**	573,050

19 INVESTMENT PROPERTIES *(continued)*

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
In the PRC:		
Medium-term leases	**519,200**	573,050

(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 income 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 32).

(b) The fair value of the Group's investment properties at 31 December 2023 were based on valuations carried out by Graval Consulting Limited, an independent qualified professional valuer (2022: Same). The revaluation losses are included in "Fair value losses on investment properties" for the years ended 31 December 2023 and 2022.

(c) See note 43.4 for the other accounting policies relevant to investment properties.

(d) The Group's investment properties amounting to RMB420,270,000 (2022: RMB470,260,000) were pledged as security for the Group's borrowings at 31 December 2023 (Note 31).

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Recurring fair value measurements		
– Land held for undetermined use	**377,200**	407,570
– Land held for development of investment properties	**142,000**	165,480
	519,200	573,050

19 INVESTMENT PROPERTIES *(continued)*

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

	Land held for undetermined use	Land held for development of investment properties	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2023	**407,570**	**165,480**	**573,050**
Fair value losses	**(30,370)**	**(23,480)**	**(53,850)**
As at 31 December 2023	**377,200**	**142,000**	**519,200**
Total 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"	**(30,370)**	**(23,480)**	**(53,850)**
As at 1 January 2022	427,430	172,730	600,160
Fair value losses	(19,860)	(7,250)	(27,110)
As at 31 December 2022	407,570	165,480	573,050
Total 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"	(19,860)	(7,250)	(27,110)

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2023 by 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 (2022: Same). For all investment properties, their current use equates to the highest and best use.

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

Valuation techniques

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

19 INVESTMENT PROPERTIES *(continued)*

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

As at 31 December 2023 and 2022

Description	Fair value	Valuation technique(s)	Significant inputs	Range of significant inputs	Relationship of significant inputs to fair value
	RMB'000			*RMB*	
Land held for undetermined use	2023: 377,200 (2022: 407,570)	Sales comparison approach	Price per sq.m.	2023: 3,150 per sq.m (2022: 3,580 per sq.m) (probability-weighted average)	The higher the price per sq.m., the higher the fair value and vice versa.
			Remaining land use right term	2023: 18 – 28 years (2022: 19 – 29 years)	The shorter the remaining land use rights term, the lower the value and vice versa.
Land held for development of investment properties	2023: 142,000 (2022: 165,480)	Sales comparison approach	Price per sq.m.	2023: 3,150 per sq.m (2022: 3,580 per sq.m) (probability-weighted average)	The higher the price per sq.m., the higher the fair value and vice versa.
			Remaining land use right term	2023: 18 – 28 years (2022: 19 – 29 years)	The shorter the remaining land use rights term, the lower the value and vice versa.

20 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2023 and 2022:

Name of subsidiary	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares held by the Company (%) **2023**	Proportion of ordinary shares held by the Company (%) 2022	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 "江門市古兜旅游酒店管理有限公司")	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* 江門市古兜旅游開發有限公司	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

20 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 (%) 2023	Proportion of ordinary shares held by the Company (%) 2022	Principal activities and place of operation
Indirectly held					
Jiangmen City Yueguangqu Culture and Travel Development Company Limited (formerly known as "Jiangmen City Xinhui Yueguangqu Entertainment Company Limited")* 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")	The PRC limited liability company	RMB500,000	**100%**	100%	Operation of entertainment business in a resort in the PRC
Jiangmen City quanxin gongyu Management Company Limited* 江門泉心公寓管理有限公司	The PRC limited liability company	RMB1,000,000	**100%**	100%	Property management in the PRC

* 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.

21 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.

21 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 Accounts"). Additionally, the purpose of the Designated Bank Accounts 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 Accounts 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 Accounts as restricted cash, all the proceeds received from the pre-sales activities relating to the Joint Operation and deposited at the Designated Bank Accounts 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 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 Accounts. 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.

21 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 Accounts 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 from the Designated Bank Accounts 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, of 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 comprehensive income.

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

Independent investigation on the Loan Agreements and the Commitment Letter

Upon the discovery of the Loan Agreements and the Commitment Letter, the Directors established an independent investigation committee to investigate the Loan Agreements and the Commitment Letter in April 2023 (the "Investigation"). The investigation committee engaged an independent professional advisor to conduct the Investigation. Based on the independent review report from the independent professional advisor ("Independent Review Report"), they found the validity of the Loan Agreements and the Commitment Letter and the existence of the loan of RMB15 million under the Commitment Letter to be questionable. According to the Independent Review Report, the approval and signing procedures for the Loan Agreements and the Commitment Letter were different from those stipulated in the "Usage and management system for company seals and chops". There was no formal application on using of the company seals and chops in relation to the signing of both of the Loan Agreements and the Commitment Letter and such usage was not recorded on the contract register. They also found that the Commitment Letter was only stamped with the Company seal, which was not following the normal practice of stamping both the Company seal and the legal representative chop (or signed by the responsible Director) at the same time. The independent advisor cannot find any evidence which may suggest that the Loan Agreements and the Commitment Letter were executed and further based on their computer data analysis, the independent advisor concluded that there is no finding which suggest evidence to show that the relevant personnel of the Group have knowledge in or have discussed on the Loan Agreements and the Commitment Letter. However, the Investigation is subject to several limitations, including but not limited to, inability to obtain the financial record and supporting documents of the Joint Operation and conduct interview GD Aoyuan and some of the major service providers of the Joint Operation. Nevertheless, the Board is in the opinion that the independent investigator has already exhausted all reasonable means to provide the full extent of findings and conclusion to the Group.

The Board, having reviewed the findings of the Independent Review Report, considered that despite the Loan Agreements have been determined by the civil judgement to be authentic, there is insufficient evidence to prove either the validity of the Commitment Letter or the existence of the RMB15 million loan. It is possible that due to the internal control deficiency as identified by the independent professional advisor, the Loan Agreements and the Commitment Letter might have been chopped by the Group personnel unintentionally and accidentally. In light of the fact that the integrity and validity of the Commitment Letter remains an issue to be concluded in the PRC civil action, the judgement of which would only be available later, the Board remains a conservative stance and shall further assess its position with regard to the Commitment Letter.

Although the Group is not able to resolve with GD Aoyuan on the dispute over the Commitment Letter, based on the finding of the Investigation and the Group's understanding of the operation of the Joint Operation, unless the court would ultimately conclude otherwise, the Group considers that while GD Gudou used the RMB15 million deposited by GD Aoyuan, such usage was within the boundaries of the Joint Operation and not for private usage, suggesting that the nature of the RMB15 million could not have been a loan and will continue to account that as amount due from/to the joint operator without fixed term and interest.

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

Incomplete 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 Operations 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 year ended 31 December 2023, the Group has maintained complete record of transactions and controlled the usage of the seals and chops in relation to the Joint Operation.

However, 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. 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.

Given the court has not concluded the litigation on the Commitment Letter as well as the Group is preparing to file for a judgement on the entitlements in the sharing of profit of the Joint Operations on the basis that GD Aoyuan has not fulfilled its obligation in accordance with the Joint Operation Agreements, any possible settlement arrangements relating to these disputes related to Joint Operation are currently unknown. 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 continued to recognise the settlements made on behalf of GD Aoyuan, together with any GD Aoyuan's withdrawals from the Designated Bank Accounts, as amount due from the joint operator. However, in consideration of the liquidity condition of GD Aoyuan, the Group has also recognised an impairment provision up to the Group's entitlement of the Joint Operation as stated in the Joint Operation Agreements.

Based on the aforementioned assessment by management, the Directors have prepared the financial information for the Joint Operation from 1 January 2023 until the effective date of discharge of the Joint Operation and recognised the following on the Company's consolidated financial statements.

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

Incomplete accounting records of the Joint Operation *(continued)*

Consolidated statement of comprehensive income

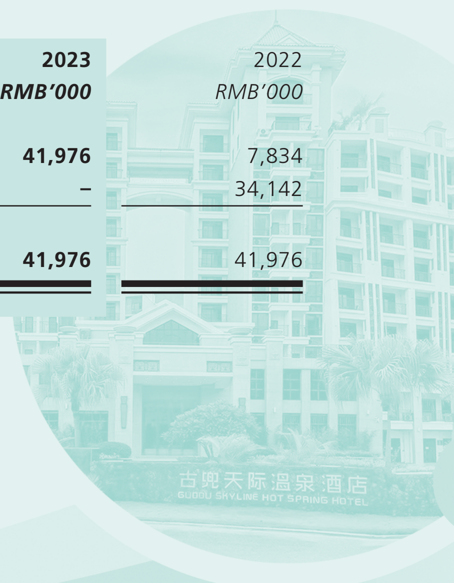
	Period ended 19 May 2023 RMB'000	Year ended 31 December 2022 RMB'000
Revenue	–	419
Cost of sales, selling and administrative expenses	(118)	(1,519)
Provision for loss on properties held for sale	–	(37,279)
Impairment losses on financial assets, net	–	(34,142)

Note: Amount due from the joint operator

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Amount due from the joint operator	87,608	86,270
Less: allowance for impairment	(41,976)	(41,976)
	45,632	44,294

Movements on the provision for impairment of amount due from the joint operator are as follows:

	2023 RMB'000	2022 RMB'000
At the beginning of the year	41,976	7,834
Impairment losses	–	34,142
At the end of the year	41,976	41,976



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

Incomplete accounting records of the Joint Operation *(continued)*

Consolidated statement of 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 have been separately disclosed as "Net impairment losses on financial assets" in the consolidated statement of comprehensive income.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Listed securities at market value		
Equity security – the PRC	**15**	15
Unlisted securities		
Equity investment – the PRC	**40**	40
	55	55

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

	Year ended 31 December 2023	Year ended 31 December 2022
	RMB'000	*RMB'000*
At the beginning of the year	**55**	55
Fair value loss recognised in other comprehensive income	**–**	–
At the end of the year	**55**	55

23 PROPERTIES HELD FOR SALE

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Gross carrying amount	**164,846**	104,546
Less: Provision for loss on net realisable value	**(38,460)**	(37,279)
Net realisable value	**126,386**	67,267

Properties held for sale are stated at lower of cost or net realisable value. The cost of properties sold charged in "cost of sales" amounted to RMB3,837,000 (2022: RMB162,000).

Write-downs of properties to net realisable value amounted to RMB38,460,000 (2022: RMB37,279,000).

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 valuer appointed by the Company (Note 21).

24 INVENTORIES

Inventories comprised merchandise goods as at 31 December 2023 (2022: Same) and are stated at lower of cost or net realisable value. The cost of goods sold charged in "cost of sales" amounted to RMB3,982,000 (2022: RMB2,399,000) (Note 12).

Assigning costs to inventories

The costs of individual items of inventory are determined using the weighted average basis. See note 43.9 for the group's other accounting policies for inventories.

25 ACCOUNTS RECEIVABLE

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Accounts receivable	**13,818**	13,191
Less: allowance for impairment	**(8,966)**	(8,341)
Accounts receivable, net	**4,852**	4,850

The Group allows an average credit period ranging from 30 to 90 days (2022: 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	
	2023	2022
	RMB'000	*RMB'000*
Up to 30 days	**2,227**	3,080
31 to 60 days	**447**	879
61 to 90 days	**259**	201
Over 90 days	**10,885**	9,031
	13,818	13,191
Allowance for impairment	**(8,966)**	(8,341)
Accounts receivable, net	**4,852**	4,850

The Group's credit risk control and the analysis of concentration of credit risk are disclosed in Note 4(b).

25 ACCOUNTS RECEIVABLE *(continued)*

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

	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**8,341**	9,199
Impairment losses	**625**	479
Write-off of provision	**–**	(1,337)
At the end of the year	**8,966**	8,341

The above impairment losses have been included in "Net impairment losses on financial assets" in the consolidated statement of comprehensive income.

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

26 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Prepayments	**306**	828
Other receivables	**6,665**	5,314
Deposits	**6,528**	4,148
	13,193	9,462
	13,499	10,290

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

27 RESTRICTED BANK BALANCES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Restricted bank balances	**970**	–

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 2023 represented certain bank accounts frozen by the Court in relation to legal claims filed by GD Aoyuan against the Group (Note 21).

28 BANK AND CASH BALANCES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cash at banks	**2,882**	2,803
Cash on hand	**693**	553
Bank and cash balances	**3,575**	3,356

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	
	2023	2022
	RMB'000	*RMB'000*
RMB	**3,562**	3,294
HK$	**13**	62
	3,575	3,356

At 31 December 2023, the Group's bank and cash balances included balances of RMB2,581,000 (2022: RMB3,294,000), 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.

29 ACCOUNTS PAYABLE

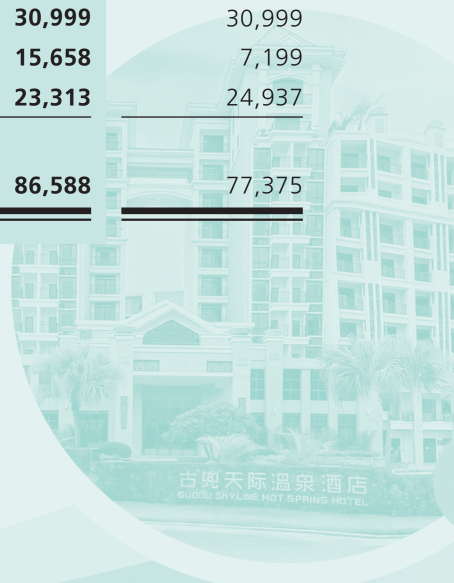
The aging analysis of the Group's accounts payable, based on invoice date, is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Up to 90 days	**4,219**	2,094
91 to 180 days	**2,511**	1,287
181 to 365 days	**4,321**	7,021
Over 1 year	**40,464**	40,531
	51,515	50,933

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

30 PROVISION, ACCRUALS AND OTHER PAYABLES AND CONTRACT LIABILITIES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Contract liabilities		
Contract liabilities *(Note (a))*	**77,662**	70,421
Provision, accruals and other payables		
Staff cost payables	**16,618**	14,240
Payables to suppliers and contractors of the joint operator *(Note (b))*	**30,999**	30,999
Other tax payables	**15,658**	7,199
Others	**23,313**	24,937
	86,588	77,375



30 PROVISION, ACCRUALS AND OTHER PAYABLES AND CONTRACT LIABILITIES *(continued)*

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
RMB	**155,434**	141,819
HK$	**8,816**	5,977
	164,250	147,796

Notes:

(a) Contract liabilities primarily represented the proceeds received from pre-sale of properties and receipts in advance from customers in relation to hotel operation. For the year ended 31 December 2023, revenue recognised was included in the contract liabilities balance at the beginning of the year with amount of RMB1,455,000 (2022: RMB6,802,000). See Note 21 for the details of the joint operation arrangement.

(b) The balances principally represented the balance payables to certain suppliers and contractors of the joint operation arrangement as at 31 December 2023. In 2023, the Group have received legal claims from certain 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.

31 BORROWINGS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Bank borrowings repayable:		
Within one year	**206,267**	63,171
Between one and two years	**13,300**	158,963
Between two and five years	**–**	16,900
	219,567	239,034
Less: Current portion	**(206,267)**	(63,171)
Non-current portion	**13,300**	175,863

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 year ended 31 December 2023 and 2022 as follows:

		As at 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Property, plant and equipment	*17*	**27,034**	34,225
Right-of-use assets	*18*	**6,716**	5,585
Investment properties	*19*	**420,270**	470,260
Accounts receivable	*25*	**3,302**	3,555

As at 31 December 2023, the Group has undrawn borrowing facilities amounting to RMB150,000,000 (2022: RMB150,000,000) which will be expired on 30 June 2024. Subsequent to 31 December 2023, the Group has entered into a new uncommitted bank facilities of RMB230,000,000 with the bank.

31 BORROWINGS *(continued)*

Notes: (continued)

(b) 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	
	2023	2022
Short-term bank borrowings (fixed rate)	**5.97%**	5.97%
Long-term bank borrowings (floating rate)	**5.34%**	5.34%
Long-term bank borrowings (fixed rate)	**6.10%**	5.43%

(c) The carrying amounts of the Group's borrowings approximate their fair values.

(d) The Group's effective interest rate of the borrowings was 5.57% (2022: 5.49%) per annum for the year ended 31 December 2023.

32 DEFERRED INCOME TAX

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

Deferred income tax liabilities

	Temporary differences arising from properties	Accelerated tax depreciation	Total deferred tax liabilities
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2022	172,617	3,621	176,238
(Credited)/charged to profit or loss for the year *(Note 11)*	(16,217)	83	(16,134)
As at 31 December 2022	156,400	3,704	160,104
As at 1 January 2023	156,400	3,704	160,104
Credited to profit or loss for the year *(Note 11)*	(13,906)	525	(13,381)
As at 31 December 2023	142,494	4,229	146,723

32 DEFERRED INCOME TAX *(continued)*

Deferred income tax assets

	Excess of amortisation of prepaid land lease over tax allowances	Tax losses	Total deferred tax assets
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2022	(1,474)	(5,348)	(6,822)
Credited to profit or loss for the year *(Note 11)*	(82)	–	(82)
As at 31 December 2022	(1,556)	(5,348)	(6,904)
As at 1 January 2023	(1,556)	(5,348)	(6,904)
Credited to profit or loss for the year *(Note 11)*	(81)	–	(81)
As at 31 December 2023	(1,637)	(5,348)	(6,985)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax asset of RMB35,958,000 (2022: RMB29,187,000) in respect of accumulated losses amounting to RMB143,832,000 (2022: RMB116,749,000) as at 31 December 2023 that can be carried forward against future taxable income and these unrecognised tax losses are subject to expiry period of five years.

33 DEFERRED INCOME

Deferred income represented the subsidies from the PRC government provided to the Group to enhance and upgrade the hotel and resort facilities which were completed during the year end 31 December 2023. 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.

34 SHARE CAPITAL

	Number of shares *(thousands)*	Share capital *RMB'000*
As at 1 January 2022	980,000	8,669
Exercise of share options *(Note 15)*	14,872	135
As at 31 December 2022	994,872	8,804
Exercise of share option *(Note 15)*	15,814	139
Conversion of convertible bond *(Note)*	126,500	1,108
As at 31 December 2023	1,137,186	10,051

Note – convertible bond:

On 17 February 2023, to improve the Group's liquidity status, the Company entered into a subscription agreement with Li Song Foundation Company Limited (the "Subscriber" or "Convertible Bondholder") to issue the convertible bond ("CB") with an aggregate principal amount of HK$25,300,000, which may be converted into 126,500,000 ordinary shares of the Company ("Conversion Shares") at a price of HK$0.20 ("Conversion Price") per Conversion Share upon full conversion. The CB was issued on 27 March 2023. On the same day, the CB was converted in full pursuant to the terms thereof.

The Company committed itself to issue the CB with fixed terms agreed on 17 February 2023. Such commitment meets the definition of a derivative. The fair value of the derivative is nil on the date of entering the subscription agreement. However, there was a fair value loss of the derivative amounting to HK$6,077,000 (equivalent to RMB5,324,000) due to the increase in stock price. Therefore, a derivative liability of HK$6,077,000 (equivalent to RMB5,324,000) was recognised right before the CB was issued.

Upon the issuance of the CB, the cash consideration received of HK$25,300,000 (equivalent to RMB22,165,000) and the derivative liability of HK$6,077,000 (equivalent to RMB5,324,000), totaling HK$31,377,000 (equivalent to RMB27,489,000), represented the total consideration for the issuance of the CB on 27 March 2023.

On 27 March 2023, upon conversion of the CB, a total of 126,500,000 Conversion Shares had been issued to the Subscriber. The balance related to derecognised liability of HK$23,208,000 (equivalent to RMB20,332,000) and transferred equity of HK$8,169,000 (equivalent to RMB7,157,000) are recorded in share capital of HK$1,265,000 (equivalent to RMB1,108,000) and share premium of HK$30,112,000 (equivalent to RMB26,381,000). The details about accounting treatments of CB are disclosed in Note 43.25.

35 RESERVES

	Share premium RMB'000	Fair value reserve 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	Retained Profits RMB'000	Total RMB'000
As at 1 January 2022	99,249	(3,386)	(3,510)	11,496	(277)	69,528	201,580	374,680
Comprehensive loss								
Loss for the year	–	–	–	–	–	–	(132,693)	(132,693)
Other comprehensive loss								
Currency translation differences	–	–	(4,088)	–	–	–	–	(4,088)
Total comprehensive loss for the year	–	–	(4,088)	–	–	–	(132,693)	(136,781)
Transactions with owners in their capacity as owners								
Share-based payment *(Note 15)*	–	–	–	4,011	–	–	–	4,011
Exercise of share options *(Note 15)*	3,413	–	–	(1,126)	–	–	–	2,287
Transfer upon lapse of share options *(Note 15)*	–	–	–	(599)	–	–	599	–
Total transactions with owners in their capacity as owners	3,413	–	–	2,286	–	–	599	6,298
As at 31 December 2022	102,662	(3,386)	(7,598)	13,782	(277)	69,528	69,486	244,197

35 RESERVES *(continued)*

	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*	Retained profits/ (accumu -lated losses *RMB'000*	Total *RMB'000*
As at 1 January 2023	102,662	(3,386)	(7,598)	13,782	(277)	69,528	69,486	244,197
Comprehensive loss								
Loss for the year	–	–	–	–	–	–	(98,529)	(98,529)
Other comprehensive income								
Currency translation differences	–	–	300	–	–	–	–	300
Total comprehensive income/(loss) for the year	–	–	300	–	–	–	(98,529)	(98,229)
Transactions with owners in their capacity as owners								
Exercise of share options *(Note 15)*	3,584	–	–	(1,196)	–	–	–	2,388
Transfer upon lapse of share options *(Note 15)*	–	–	–	(1,983)	–	–	1,983	–
Issuance and conversion of convertible bond *(Note 34)*	26,381	–	–	–	–	–	–	26,381
Total transactions with owners in their capacity as owners	29,965	–	–	(3,179)	–	–	1,983	28,769
As at 31 December 2023	132,627	(3,386)	(7,298)	10,603	(277)	69,528	(27,060)	174,737

Notes:

(i) Foreign currency translation 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.

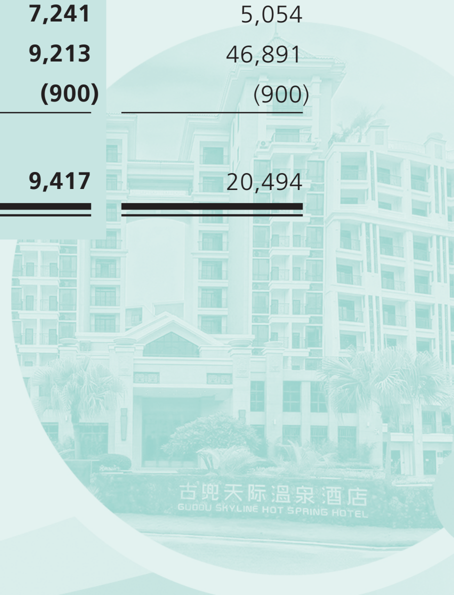
(iii) Other reserve

The other reserve results from issue and lapse of puttable options.

36 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss for the year to cash generated from operations

	2023	2022
	RMB'000	*RMB'000*
Loss before income tax	**(110,566)**	(148,399)
Adjustments for:		
Interest income	**(21)**	(10)
Fair value losses on investment properties	**53,850**	27,110
Provision for loss on net realisable value of properties held for sale	**1,181**	37,279
Depreciation on property, plant and equipment	**30,189**	29,897
Depreciation on right-of-use assets	**1,910**	4,165
Share-based payment	**–**	4,011
Net impairment losses on financial assets	**625**	34,621
Finance costs	**19,043**	14,732
(Gain)/loss on disposal of subsidiaries	**(586)**	518
Gain on early termination of leases	**–**	(2,784)
Operating (loss)/profit before working capital changes	**(4,375)**	1,140
Working capital changes:		
– Properties held for sale	**3,837**	162
– Inventories	**(37)**	240
– Accounts receivable	**(627)**	(2,580)
– Prepayments, deposits and other receivables	**(3,209)**	519
– Amount due from the joint operator	**(1,338)**	(38,731)
– Restricted bank balances	**(970)**	2,683
– Amount due to a director	**–**	(500)
– Accounts payable	**582**	6,516
– Contract liabilities	**7,241**	5,054
– Provision, accruals and other payables	**9,213**	46,891
– Deferred income	**(900)**	(900)
Cash generated from operations	**9,417**	20,494



36 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:

	Note	As at 31 December 2022	Cash inflows/ (outflows)	Non-cash movement	As at 31 December 2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities	*18*	4,518	(1,350)	3,910	7,078
Bank borrowings	*31*	239,034	(19,467)	–	219,567
Interest payable		–	(13,239)	13,239	–
Loan from a related party	*39*	6,406	672	–	7,078

	Note	As at 31 December 2021	Cash inflows/ (outflows)	Non-cash movement	As at 31 December 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities	*18*	34,593	(4,251)	(25,824)	4,518
Bank borrowings	*31*	251,127	(12,093)	–	239,034
Interest payable		–	(13,873)	13,873	–
Loan from a related party	*39*	4,893	1,513	–	6,406

(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 RMB3,938,000 (2022: RMB27,796,000) during the year ended 31 December 2023; and

- Recognition of the settlement payable for discharge of the joint operation of approximately RMB64,137,000.

37 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	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**2,570**	1,944
1 to 2 years	**2,358**	1,287
2 to 3 years	**2,190**	1,287
3 to 4 years	**2,114**	1,287
4 to 5 years	**2,092**	1,275
More than 5 years	**11,135**	7,789
	22,459	14,869

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.

38 FINANCIAL GUARANTEES

Guarantees on mortgage facilities

The Group provides financial guarantees on mortgage facilities at the end of each of the following reporting periods:

	2023	2022
	RMB'000	*RMB'000*
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	**2,793**	7,971

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.

38 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.

39 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 2023, the major shareholders of the Company are Harvest Talent Investments Limited and New Ray Developments Limited and Sky Success Ventures Limited, which owned 34.34% (2022: 34.34%) and 12.57% (2022: 29.18%) of the Company's issued shares respectively.

The ultimate holding company of the Group is Harvest Talent Investments Limited ("Harvest Talent"), incorporated in the British Virgin Islands, which is fully controlled by Mr. Hon Chi Ming (2022: Same).

During the year ended 31 December 2023, First-Profit Time Limited, which is fully controlled by Mrs. Hon, made available loans in the sum of RMB7,078,000, equivalents to HK$7,818,000 (2022: RMB6,406,000, equivalents to HK$7,218,000) 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 2023.

(a) Balances with related parties

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loan from a related party *(Note)*	**7,078**	6,406

Note:

The amount is unsecured, interest-bearing at HIBOR +2.5% per annum and amount of RMB5,342,000 (2022: RMB5,325,000) and RMB1,736,000 (2022: RMB1,081,000) are due in 2026 and 2027 (2022: due in 2024 and 2025), respectively.

39 MATERIAL RELATED PARTIES TRANSACTIONS *(continued)*

(b) Transactions with related parties

The following transaction was carried out with related parties at terms mutually agreed by both parties:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Salary of Mrs. Hon (Spouse of an executive director)	**60**	71

(c) Compensation of key management personnel of the Group:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Salaries, bonus and allowances	**3,520**	3,933
Pension costs		
– defined contribution plans	**88**	102
Share-based payment	**–**	3,704
	3,608	7,739

40 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	2023 RMB'000	2022 RMB'000
		As at 31 December	
Non-current asset			
Investments in subsidiaries		**176,987**	214,459
Current assets			
Prepayments		**236**	87
Bank and cash balances		**1**	2
Amount due from a subsidiary		**133,381**	111,780
		133,618	111,869
TOTAL ASSETS		**310,605**	326,328
Current liabilities			
Accruals		**8,038**	6,829
TOTAL LIABILITIES		**8,038**	6,829
Capital and reserves			
Share capital		**10,051**	8,804
Reserves	*Note (a)*	**292,516**	310,695
TOTAL EQUITY		**302,567**	319,499
TOTAL LIABILITIES AND EQUITY		**310,605**	326,328

The statement of financial position of the Company was approved by the Board of Directors of the Company on 5 May 2024 and was signed on its behalf:

....

Hon Chi Ming — *Director*

Wang Jun — *Director*

40 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

(a) Reserve movement of the Company

	Share premium	Foreign currency translation reserve (i)	Share-based payment reserve	Capital reserve (ii)	Other reserve (iii)	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2022	99,249	(16,271)	11,496	208,587	69,528	(69,144)	303,445
Comprehensive loss							
Loss for the year	–	–	–	–	–	(9,080)	(9,080)
Other comprehensive income							
Currency translation differences	–	10,032	–	–	–	–	10,032
Total comprehensive income/(loss) for the year	–	10,032	–	–	–	(9,080)	952
Transactions with owners in their capacity as owners							
Share-based payment *(Note 15)*	–	–	4,011	–	–	–	4,011
Exercise of share options *(Note 15)*	3,413	–	(1,126)	–	–	–	2,287
Transfer upon lapse of share options *(Note 15)*	–	–	(599)	–	–	599	–
As at 31 December 2022	102,662	(6,239)	13,782	208,587	69,528	(77,625)	310,695
As at 1 January 2023	**102,662**	**(6,239)**	**13,782**	**208,587**	**69,528**	**(77,625)**	**310,695**
Comprehensive loss							
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(65,200)**	**(65,200)**
Other comprehensive income							
Currency translation differences	**–**	**18,252**	**–**	**–**	**–**	**–**	**18,252**
Total comprehensive income/(loss) for the year	**–**	**18,252**	**–**	**–**	**–**	**(65,200)**	**(46,948)**
Transactions with owners in their capacity as owners							
Exercise of share options *(Note 15)*	**3,584**	**–**	**(1,196)**	**–**	**–**	**–**	**2,388**
Transfer upon lapse of share options *(Note 15)*	**–**	**–**	**(1,983)**	**–**	**–**	**1,983**	**–**
Issuance and conversion of convertible bond *(Note 34)*	**26,381**	**–**	**–**	**–**	**–**	**–**	**26,381**
As at 31 December 2023	**132,627**	**12,013**	**10,603**	**208,587**	**69,528**	**(140,842)**	**292,516**

40 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.

41 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

(a) 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 the Court ordered GD Aoyuan to pay GD Gudou a sum of RMB10 million being the damages for the GD Aoyuan’s breaches of the Joint Operation Agreements. Management considered that the realisation of the aforesaid compensation income is not virtually certain and hence has not recognised that compensation income in these consolidated financial statements.

(b) As of the reporting date, the court has not concluded the litigation on the Commitment Letter and thus any possible settlement relating to this dispute is currently unknown. Nevertheless, based on the PRC legal advice, the Directors do not expect that the litigation will have a material adverse effect on the Group’s financial position or results of operations. No provision for liabilities in this respect has been made in the consolidated financial statements for the year ended 31 December 2023.

42 EVENTS AFTER THE REPORTING PERIOD

Except as disclosed elsewhere in the consolidated financial statements, there were no other material subsequent events took place after 31 December 2023.

43 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES

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.

43.1 Principles of consolidation and equity accounting

(i) Subsidiaries

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) 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. 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 21.

43 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES *(continued)*

43.1 Principles of consolidation and equity accounting *(continued)*

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 43.7.

43.2 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the functional currency. The function currency of the Company is HK$, while the consolidated financial statements are presented in RMB.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are recognised in profit or loss and presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are recognised in profit or loss and presented in the consolidated statement of comprehensive income on a net basis within other income or other expenses.

43 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES *(continued)*

43.2 Foreign currency translation *(continued)*

(ii) Transactions and balances *(continued)*

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as financial assets at fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

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

– assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

– all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

43 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES *(continued)*

43.3 Property, plant and equipment

Property, plant and equipment comprise mainly buildings, furniture, fixture and equipment, leasehold improvements and motor vehicles. Buildings comprise mainly hotels and offices. 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.

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

Entity-specific details about depreciation methods and useful lives are provided in Note 17.

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

43.4 Investment properties

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

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

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

Entity-specific details about fair value measurements and valuation processes are provided in Note 19.

43 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES *(continued)*

43.5 Leases

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 comprising 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.

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 statement of financial position based on their nature.

Entity-specific details about the Group's leasing policy are provided in Note 18.

43 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES *(continued)*

43.6 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 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.

(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

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 losses, net, together with foreign exchange gains and losses. Impairment losses are presented in separate line item in the consolidated statement of comprehensive income.

43 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES *(continued)*

43.6 Investments and other financial assets *(continued)*

(iii) Measurement *(continued)*

Fair value through other comprehensive income

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/(losses). Interest income from these financial assets is measured using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of 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.

(iv) Impairment

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

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

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

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 4(b) for further details.

For amount due from the joint operator, the Group applies the general approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from all possible default events over the expected life of the receivables. See Note 4(b) for further details.

43 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES *(continued)*

43.7 Impairment of non-financial assets

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

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

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

43.8 Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition.

Entity-specific details about the Group's costing policy are provided in Note 23.

43.9 Inventories

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

Entity-specific details about the Group's costing policy are provided in Note 24.

43 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES *(continued)*

43.10 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 25 for further information about the Group's accounting for accounts receivable and Note 4(b) for a description of the Group's impairment policies.

43.11 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.

43.12 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.

43.13 Accounts and other payables

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

43 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES *(continued)*

43.14 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 an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

43.15 Borrowing costs

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

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

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

43.16 Government grants

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

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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

Note 33 provides further information on how the Group accounts for government grants.

43 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES *(continued)*

43.17 Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

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

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

The carrying amount of deferred income tax assets are 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 income tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

43 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES *(continued)*

43.17 Current and deferred income tax *(continued)*

(ii) Deferred income tax *(continued)*

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

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

(iii) Offsetting

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

43.18 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.

43.19 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.

43 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES *(continued)*

43.19 Employee benefits *(continued)*

(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 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.

43.20 Share-based payments

Share-based compensation benefits are provided to employees via the Gudou Holdings Limited share option scheme. Information relating to these schemes is set out in Note 15.

Employee options

The fair value of options granted under the Gudou Holdings Limited share option 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;

43 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES *(continued)*

43.20 Share-based payments *(continued)*

Employee options *(continued)*

- 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.

43.21 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.

43.22 Losses per share

(i) Basic losses per share

Basic losses per share is calculated by dividing:

- the loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (if any).

(ii) Diluted losses per share

Diluted losses per share adjusts the figures used in the determination of basic losses per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

43 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES *(continued)*

43.23 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.

43.24 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 Financial Instruments; 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.

43 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES *(continued)*

43.25 Convertible bond

The commitment to issue a convertible bond meets the definition of a derivative. The derivative is measured at fair value and the fair value changes between the date of entering the subscription agreement and the issuance date are recognised in the profit or loss.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in "other reserves" of shareholders' equity. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

The liability component of a convertible bond is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

On conversion of a convertible bond, the entity derecognises the liability component and recognises it as equity. The original equity component remains as equity (although it may be transferred from one line item within equity to another). The balance related to derecognised liability and transferred equity will be recorded in share capital and share premium. There is no gain or loss on conversion.

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 84 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	5,253.4	100%
Guanshanyue apartments	A total of 395 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	19,935.5	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	2025	11,526.0	22,627.0	100%

Particulars of Properties

PROPERTIES HELD FOR INVESTMENT:

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

FINANCIAL SUMMARY OF THE GROUP

	2019 *RMB'000*	2020 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*	**2023** ***RMB'000***
Results					
Turnover	238,221	127,249	63,694	41,900	**52,684**
Profit/(loss) before tax	47,793	9,332	(71,046)	(148,399)	**(110,566)**
Total comprehensive income/(loss) for the year attributable to owners of the Company	23,791	3,321	(69,219)	(136,781)	**(98,229)**
Assets and Liabilities					
Total assets	1,215,569	1,169,236	1,070,570	937,933	**921,064**
Total liabilities	767,522	716,855	687,221	684,932	**736,276**
Net assets/Total equity	448,047	452,381	383,349	253,001	**184,788**

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*（觀山悦公館）, 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 hotelcomplex 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
"Harvest Talent"	Harvest Talent Investments Limited, a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. Hon and is one of the controlling shareholders of the Company
"Heart of Spring Apartments"	Heart of Spring Apartments（泉心養生公寓）, a completed tourism property project in the Gudou Hot Spring Resort

Definitions

"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
"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
"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, chairman of the Board, chief executive officer, an executive Director and a controlling shareholder of the Company
"Mrs. Hon"	Ms. Li Wai Ling, the spouse of Mr. Hon and the mother of Mr. Hon Ka Fung, 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 2023
"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
"Shanhai Hot Spring Hotel"	Shanhai 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 parcel s 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.