



古兜控股有限公司 Gudou Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8308



Sole Sponsor



Joint Bookrunners and
Joint Lead Managers

平安證券有限公司
Ping An Securities Limited



Placing

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



GUDOU HOLDINGS LIMITED

古兜控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares	:	260,000,000 Placing Shares (comprising 230,000,000 new Shares and 30,000,000 Sale Shares, subject to the Over-allotment Option)
Placing Price	:	Not more than HK\$0.88 per Placing Share and expected to be not less than HK\$0.60 per Placing Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	HK\$0.01 per Share
Stock code	:	8308

Sole Sponsor



Joint Bookrunners and Joint Lead Managers

平安證券有限公司
Ping An Securities Limited

ZHAOBANGJI
INTERNATIONAL

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Placing Price is expected to be determined by agreement between the Joint Bookrunners and our Company (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date, which is expected to be on or about Monday, 5 December 2016 and, in any event, not later than Wednesday, 7 December 2016. The Placing Price will not be more than HK\$0.88 per Placing Share and is expected to be not less than HK\$0.60 per Placing Share, unless otherwise announced. If, for any reason, the Placing Price is not agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners on or before Wednesday, 7 December 2016 or such later date as agreed by our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners, the Placing will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" of this prospectus.

The Placing is managed by the Joint Bookrunners on a best effort basis and is not underwritten. Prospective investors of the Placing Shares should note that the Joint Bookrunners are entitled to terminate its obligations under the Placing Agreement by notice in writing to be given by the Joint Bookrunners upon the occurrence of any of the events set forth under the paragraph headed "Grounds for termination" in the section headed "Structure and conditions of the Placing" of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of these termination provisions are set out under the paragraph headed "Grounds for termination" in the section headed "Structure and conditions of the Placing" of this prospectus. Prospective investors should carefully refer to that section for further details.

30 November 2016

CHARACTERISTICS OF GEM

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

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

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at www.hkexnews.hk in order to obtain up-to-date information on GEM listed issuers.

EXPECTED TIMETABLE

2016 (Note 1)

Expected Price Determination Date (Note 2) Monday, 5 December

Announcement of the final Placing Price and the level of indication of interest in the Placing to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.gudouholdings.com on or before (Note 3) Thursday, 8 December

Allotment of Placing Shares to placees (or their designated person(s)) on or before Thursday, 8 December

Deposit of share certificates of the Placing Shares into CCASS on or about (Notes 4 and 5) Thursday, 8 December

Dealings in the Shares on GEM to commence at 9:00 a.m. on Friday, 9 December

Notes:

1. In this prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates.
2. The Price Determination Date is expected to be on or about Monday, 5 December 2016 and, in any event, not later than Wednesday, 7 December 2016. If, for any reason, the Placing Price is not agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners on or before Wednesday, 7 December 2016, or such later date as agreed by our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners, the Placing will not become unconditional and will not proceed.
3. None of our website or any of the information contained in our website forms part of this prospectus.
4. Share certificates for the Placing Shares allotted and issued to the placees are expected to be either sent to the placees or deposited directly into CCASS on or about Thursday, 8 December 2016 for credit to the respective CCASS Participants' or CCASS Investor Participants' stock accounts designated by the Joint Bookrunners, the placees or their respective agents, as the case may be. Our Company will not issue any temporary documents of title.
5. All share certificates for the Placing Shares will only become valid certificates of title when the Placing has become unconditional in all respects and the Placing Agreement has not been terminated in accordance with its terms before 8:00 a.m. (Hong Kong time) on the Listing Date.
6. If there is any change to the above expected timetable, we will make appropriate announcement on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.gudouholdings.com.

The Placing is managed by the Joint Bookrunners on a best effort basis and is not underwritten. Should the aggregate amount of gross proceeds raised by our Company and the selling shareholder under the Placing be less than HK\$156 million (or such amount as agreed between our Company and the Joint Bookrunners), the Placing will not proceed.

Details of the structure of the Placing, including the conditions thereto, are set out in the section headed "Structure and conditions of the Placing" of this prospectus.

CONTENTS

This prospectus is issued by Gudou Holdings Limited solely in connection with the Placing and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares.

You should rely only on the information contained in this prospectus to make your investment decision.

We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of our or their respective directors, officers, employees, agents, representatives or affiliates, or any other person or party involved in the Placing.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Placing Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are set out in the section headed “Risk factors” of this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.

OVERVIEW

Gudou (古兜) — a well-known brand of integrated hot spring resort in the PRC according to Crowe Horwarth. We are a hot spring resort and hotel operator and a tourism property developer in the PRC. We (i) operate and manage the resort and hotel facilities of our *Gudou Hot Spring Resort* (古兜温泉综合度假村); and (ii) develop and sell tourism properties located at our *Gudou Hot Spring Resort*.

Our business model is founded on our belief in the importance of health regimen to human beings and well-being of body and mind. Our *Gudou Hot Spring Resort* is built on such belief and over the years, we evolved and expanded our business from a hot spring resort and hotel operator to include the development and sale of tourism properties. Embedded in our core values that inspire our business operations initiatives are the following three elements, which we believe is one of the keys to attaining our established position in the hot spring resort market in Jiangmen City:



Our *Gudou Hot Spring Resort* is located at Xinhui District, Jiangmen City, Guangdong Province, the PRC. As at 30 September 2016, the site of our *Gudou Hot Spring Resort* stretched across a total site area of approximately 649,287.5 sq.m., on which there were four themed hotel complexes, namely *Royal Spa Hotel* (皇家Spa酒店), *Holiday Lakeview Hotel* (假日湖景酒店), *Hot Spring Villa Hotel* (温泉别墅酒店) and *Mountain Seaview Hotel* (山海酒店), together with a variety of leisure and recreational attractions that included a total of 62 public hot spring pools and a recreational waterpark as well as other ancillary facilities such as a spa centre and a conference centre.

SUMMARY

The following table sets forth details of our tourism property development projects, completed or under development, at our *Gudou Hot Spring Resort*:

Project	Status	Nature	Total saleable GFA as at the Latest Practicable Date (sq.m.)	GFA sold during the Track Record Period (sq.m.)	Revenue generated during the Track Record Period (RMB million)	Proceeds from sales/ pre-sales and earnest money received		Development costs to be incurred as at 31 May 2016 (RMB million)	Source of funding	Percentage of units sold up to the Latest Practicable Date
						by our Company after the Track Record Period and up to the Latest Practicable Date (RMB million)				
<i>South Asian Villas</i>	Completed	Villas	23,633.4	—	—	—	—	—	Internally generated funds	100.0
<i>Baden Town Villas</i>	Completed	Villas	29,200.6	4,629.0	46.4	—	—	—	Internally generated funds	100.0
<i>Mountain Seaview Vacation Apartments</i>	Completed	Low-rise apartments	35,543.1	31,106.6	176.8	18.2	—	—	Internally generated funds	97.1
<i>Joyful Apartments (Note 1)</i>	Completed	Low-rise studio flats	7,352.5	—	—	4.6	12.4	—	Internally generated funds and net proceeds of Placing (Note 3)	—
<i>Mountain Seaview Vacation Residence (Note 2)</i>	Under development	High-rise apartments	26,667.5	—	—	29.7	65.8	—	Internally generated funds and net proceeds of Placing (Note 3)	—
<i>Heart of Spring Apartments (Note 4)</i>	Under development	Low-rise apartments	17,701.5	—	—	—	64.6	—	Internally generated funds and net proceeds of Placing (Note 3)	—

Notes:

- Construction commenced in the third quarter of 2015 and was completed in November 2016. As at the Latest Practicable Date, 168 units in *Joyful Apartments* were pre-sold but not yet delivered.
- Construction commenced in December 2015 and is expected to complete by the fourth quarter of 2017. As at the Latest Practicable Date, 118 units in *Mountain Seaview Vacation Residence* were pre-sold but not yet delivered.
- Approximately HK\$65.0 million (equivalent to approximately RMB54.0 million) of the investment costs is expected to be financed by net proceeds from the Placing and the remaining approximately RMB88.8 million of investment costs is expected to be financed by internally generated funds, being mainly the expected sales and pre-sale proceeds of *Mountain Seaview Vacation Apartments*, *Joyful Apartments*, *Mountain Seaview Vacation Residence* and *Heart of Spring Apartments* to be received after the Track Record Period.
- Construction is expected to commence in the fourth quarter of 2016 and is expected to complete by the fourth quarter of 2017.

SUMMARY

KEY OPERATIONAL AND FINANCIAL DATA

Key financial information

The following table sets forth the selected financial information of our Group's audited consolidated statements of profit or loss and other comprehensive income for each of the years ended 31 December 2014 and 2015 and for the five months ended 31 May 2015 and 2016, which are extracted from the section headed "Financial information" of this prospectus and the Accountant's Report set out in Appendix I to this prospectus:

	For the year ended				For the five months ended			
	31 December				31 May			
	2014	2015	2015	2016				
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Revenue								
Hot spring resort and hotel operations	96,360		98,282		40,248		47,728	
Tourism property development	110,108		103,871		22,331		9,176	
	206,468		202,153		62,579		56,904	
Gross profit/Gross profit margin								
Hot spring resort and hotel operations	34,424	35.7	33,296	33.9	13,092	32.5	12,394	26.0
Tourism property development	67,930	61.7	60,967	58.7	12,292	55.0	5,217	56.9
Total/Overall	102,354	49.6	94,263	46.6	25,384	40.6	17,611	30.9
Profit/(loss) for the year/period								
Profit for the year/period excluding non-recurring expenses (<i>Note</i>)	58,035		(15,492)		(20,290)		(20,590)	
Profit/(loss) for the year/period excluding fair value gains (after tax) on investment properties and non-recurring expenses (<i>Note</i>)	66,857		12,500		(8,094)		(3,600)	
	22,514		(3,507)		(12,377)		(10,830)	

Note: Non-recurring expenses include our finance costs of imputed interest on puttable shares and interest on loans from Fu An and Dynasty Fortune which will be repaid upon Listing and our Listing expenses.

"Profit for the year/period excluding non-recurring expenses" and "Profit/(loss) for the year/period excluding fair value gains (after tax) on investment properties and non-recurring expenses" are non-HKFRSs measures which are not defined in HKFRSs and presented in the Accountant's Report as set out in Appendix I to this prospectus.

We primarily generate (i) Room Revenue, catering income and admission income through the offering of accommodation services, catering services as well as hot spring and waterpark facilities, under our hot spring resort and hotel operations; and (ii) sales revenue from the sales of tourism properties under our tourism property development. Revenue from both of our hot spring resort and hotel operations and tourism property development remained stable during the Track

SUMMARY

Record Period. The gross profit margin of our tourism property development was relatively higher than that of our hot spring resort and hotel operations, which we consider a common industry phenomenon.

During the Track Record Period, we recorded a profit of approximately RMB58.0 million, a loss of approximately RMB15.5 million and a loss of approximately RMB20.6 million, respectively. The change from profit-making in 2014 to loss-making in 2015 and the five months ended 31 May 2016 was mainly due to a decrease in our fair value gains on investment properties and an increase in our finance costs and Listing expenses. A significant portion of expenses (i.e. our Listing expenses and our finance costs of imputed interest on puttable shares and interest on loans from our Pre-IPO Investors, namely Fu An and Dynasty Fortune which will be repaid upon Listing) are non-recurring in nature, which amounted to approximately 4.3%, 13.8% and 29.9% of our total revenue for each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016, respectively. As demonstrated in the table under “Key operational and financial data — Key financial information” of this section, our net profit for the year ended 31 December 2014 would have fallen significantly in the absence of fair value gains (after tax) on investment properties and non-recurring expenses but our net loss for the year ended 31 December 2015 and the five months ended 31 May 2016 would have reduced.

The change from the net profit of approximately RMB22.5 million for the year ended 31 December 2014 to the net loss of approximately RMB3.5 million for the year ended 31 December 2015 after excluding fair value gains (after tax) on investment properties and non-recurring expenses was mainly due to the decrease in gross profit of our tourism property development segment, increase in staff costs and commission, advertising and marketing expenses and interest expenses on bank borrowings. For further details, please refer to the section headed “Financial information” of this prospectus.

Key financial ratios

The following table sets forth our key financial ratios for the Track Record Period:

	For the year ended		For the five
	31 December	31 December	months
	2014	2015	ended
			31 May
			2016
Gross profit margin (%)	49.6	46.6	30.9
Net profit margin (%)	28.1	(7.7)	(36.2)
Net profit margin excluding fair value gains (after tax)			
on investment properties (%)	6.6	(15.6)	(48.9)
	As at 31 December	As at 31 December	As at 31 May
	2014	2015	2016
Current ratio (<i>Note</i>)	0.7	0.5	0.8
Gearing ratio (<i>Note</i>)	2.2	3.3	3.8

Note: Had the Placing taken place on 31 May 2016, our current ratio and gearing ratio would have increased to approximately 1.1 and decreased to approximately 1.0, respectively.

Please refer to the section headed “Financial information” of this prospectus for analysis of our key financial ratios.

SUMMARY

Room Revenue from hot spring resort and hotel operations

The following table sets forth the Total Available Room Nights, Total Occupied Room Nights, occupancy rate, average room rate and RevPAR of each of our themed hotel complexes during the Track Record Period:

	Total Available Room Nights (Note)				Total Occupied Room Nights (Note)				Occupancy rate (Note)				Average room rate (Note)				RevPAR (Note)				
	For the five months ended 31 May		For the year ended 31 December		For the five months ended 31 May		For the year ended 31 December		For the five months ended 31 May		For the year ended 31 December		For the five months ended 31 May		For the year ended 31 December		For the five months ended 31 May		For the year ended 31 December		
	2015	2016	2014	2015	2015	2016	2014	2015	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	
	(’000)	(’000)	(’000)	(’000)	(’000)	(’000)	(’000)	(%)	(%)	(%)	(%)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	
Royal Spa Hotel	20.4	19.6	8.3	8.3	9.4	11.4	4.5	4.4	54.1	53.1	46.2	58.0	54.1	830.1	764.3	786.4	383.9	443.3	450.0	417.3	
Holiday Lakeview Hotel	47.1	46.1	19.4	19.5	25.8	28.1	11.5	9.7	59.3	49.9	54.9	61.0	59.3	307.2	298.1	331.0	168.6	182.0	187.2	165.2	
Hot Spring Villa Hotel	224.2	218.2	91.0	89.0	123.7	115.6	45.2	48.0	49.6	53.9	55.2	53.0	49.6	277.7	299.3	299.1	153.2	158.6	161.3	161.2	
Mountain Seaview Hotel	N/A	N/A	N/A	N/A	N/A	N/A	N/A	19.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	254.4	N/A	N/A	N/A	N/A	85.4
For all hotels	291.7	283.9	118.7	173.3	158.9	155.1	61.2	81.1	51.5	46.8	54.5	54.6	51.5	333.1	360.2	319.0	171.8	182.0	185.6	149.2	

Note: For the purpose of calculating these rates/figures, the aggregate number of rooms within the villas/suites in the themed hotel complexes is taken as the total number of available room nights for calculations and/or taken as the basis for considering the total number of rented room nights.

Property sales from tourism property development

The following table sets forth the revenue from sales, GFA sold and delivered and average selling price of our tourism properties during the Track Record Period:

	For the year ended 31 December				For the five months ended 31 May			
	2014		2015		2015		2016	
	Revenue	GFA sold and delivered	Average selling price	GFA sold and delivered	Revenue	GFA sold and delivered	Average selling price	GFA sold and delivered
	RMB’000	sq.m.	RMB	sq.m.	RMB’000	RMB	sq.m.	RMB’000
Baden Town Villas	42,657	38.7	16	4,274	9,981	3,730	2	355
Mountain Seaview Apartments	67,451	61.3	250	12,916	5,222	100,141	262	16,616
Total/Overall	110,108	100.0	266	17,190	6,405	103,871	264	16,971

SUMMARY

UNIQUE INDUSTRY FEATURES

Hot spring and hotel industry

Hot spring tourism in China evolved progressively from a singular business model that typically included provision of hot spring facilities in the 1980s and 1990s, to a plural model which combined hot spring resources and hospitality services at the turn of the century to form the basis of the hot spring and hotel industry. Since 2014, the trend of hot spring tourism began to lean towards an integrated model with particular themes, such as a health-oriented hot spring resort. The most common “formula” seen in the development of a hot spring resort in China in recent years typically include hot spring and hotel facilities plus amenities such as: (i) business conference; (ii) sports/recreational activities; (iii) rehabilitation/nursing services; (iv) tourism real estate; and (v) ecological farms/tours.

Accordingly, the revenue stream of hot spring resorts in China typically includes accommodation services, catering services, hot spring pools admission, other recreational facilities admission and in the case of an integrated model or themed integrated model, property development and sales.

Tourism real estate industry

According to the Crowe Horwath Report, the concept of tourism real estate utilises the surrounding rich tourism resources and combines tourism, leisure, vacation and residential living into one single development, acting as a seamless bridge between the tourism and real estate industries. Tourism properties are a kind of commodity properties and the major difference between tourism real estate market and traditional real estate market is the unique market positioning of tourism real estate segment in the real estate industry which can be seen from its geographical location, surrounding tourism attractions, amenities and other facilities. The tourism real estate market is still largely affected by trend of the relevant items of the traditional real estate market, but also subject to tourism considerations.

PROPERTIES

Owned and leased properties

The following table sets forth the site area of our land and properties as of 30 September 2016 according to the property valuation report prepared by LCH (Asia-Pacific) Surveyors Limited:

	For self-use		Held for sale		Under development		Held for future development		Held for investment	
	sq.m.	%	sq.m.	%	sq.m.	%	sq.m.	%	sq.m.	%
Owned land and properties	111,239.0	41.5	35,935.0	100.0	27,330.0	100.0	234,328.0	100.0	83,788.0	100.0
Leased land and properties	156,667.5	58.5	—	—	—	—	—	—	—	—
Total	267,906.5	100.0	35,935.0	100.0	27,330.0	100.0	234,328.0	100.0	83,788.0	100.0

SUMMARY

On our owned land and property under development, a commercial complex known as *Gudou Yue Quan Wan Regimen and Recreation Centre*, which is currently expected to be a health and regimen themed hotel to be operated by us and in use in 2018, is under development. The current estimated investment cost of *Gudou Yue Quan Wan Regimen and Recreation Centre* is approximately RMB22.8 million, of which approximately RMB10.5 million had been paid up to 31 May 2016. We expect to finance the remaining capital costs in relation to such facility of approximately RMB12.3 million, which are expected to be incurred after 2017, through our internally generated funds (which may include the expected sales and pre-sale proceeds from *Mountain Seaview Vacation Apartments*, *Joyful Apartments* and *Mountain Seaview Vacation Residence* to be received after the Track Record Period) and/or bank borrowings.

The following table sets forth the GFA of our properties as at 30 September 2016:

	For self-use		Held for sale		Under development (upon completion)		Held for future development		Held for investment	
	sq.m.	%	sq.m.	%	sq.m.	%	sq.m.	%	sq.m.	%
Owned land and properties	38,938.5	79.0	1,795.9	100.0	62,241.9	100.0	35.5	100.0	369.0	100.0
Leased land and properties	10,345.9	21.0	—	—	—	—	—	—	—	—
Total	49,284.4	100.0	1,795.9	100.0	62,241.9	100.0	35.5	100.0	369.0	100.0

The maximum permitted GFA of land held for future development and held for investment as stipulated in the relevant land use rights certificates is approximately 174,934 sq.m. and 95,195 sq.m., respectively.

Note: Site area refers to the area of parcel of land stipulated under the relevant land certificates while maximum permitted GFA (i.e. gross floor area) refers to the maximum gross floor area of building permitted to be developed on such parcel of land in the future.

Permitted GFA on a parcel of land depends on its site area as well as the requirements under relevant zoning plan which governs the usage (such as commercial, residential, greenery etc.) and the plot ratio of the land. For land under greenery zoning, no building is permitted to be built on such land, and therefore the maximum permitted GFA on such land is nil. For other types of land with permissions to develop buildings, the maximum permitted GFA would equal to the relevant plot ratio multiplied by area of such land parcel (i.e. site area) in this case. For our Group's owned land held for future development, some of the lands is under greenery zoning and some with plot ratio not equal to 1. Therefore, the maximum permitted GFA does not equal to the site area of Group's owned land and properties held for future development.

Investment properties portfolio

As at 30 September 2016, we had investment properties (under HKAS 40 "Investment Property") with a total site area of 299,678.0 sq.m. comprising land held for undetermined use and land held for development of investment properties. These properties are held by us to earn rentals and/or for capital appreciation. Our Group had been exploring the feasibility of using a certain portion of these investment properties (tentatively approximately 39.7% of the Group's investment properties in terms of fair value as at 30 September 2016) for development of additional hospitality and ancillary facilities, including a five-star hotel on parcels of land with a site area of approximately 33,841 sq.m. and a health regimen centre consisting of regimen facilities on parcels of land with a site area of approximately 49,947.0 sq.m. It is our Group's plan to engage an experienced five-star hotel management company and an experienced regimen centre management company to operate the proposed five-star hotel and the proposed regimen centre,

SUMMARY

respectively in order to benefit from their experience and expertise and to reduce the requirement on our operational resources. Please refer to the sub-section headed “Business — Properties — Investment properties portfolio” of this prospectus for further details of our development plans for investment properties. Our Directors consider that such proposed plan, if materialised, would complement our existing hot spring resort and hotel operations and tourism property development and will not have any adverse effect on the existing business of *Gudou Hot Spring Resort*. As at the Latest Practicable Date, we had not resolved nor reached any binding agreement on any development schedule of our investment properties, manner of cooperation with the management companies or expected capital expenditure involved.

Based on the preliminary development plan, it is estimated that the investment costs of the proposed five-star hotel and health regimen facilities are approximately RMB361.4 million and RMB125.5 million, respectively. The actual development costs are subject to the final development plans. Together with the other ongoing property and business developments as at 31 May 2016, namely *Gudou Yue Quan Wan Regimen and Recreation Centre*, *Joyful Apartments*, *Mountain Seaview Vacation Residence* and *Heart of Spring Apartments*, we expect to further incur an aggregate investment costs of approximately RMB642.0 million. The estimated unpaid investment costs of *Joyful Apartments*, *Mountain Seaview Vacation Residence* and *Heart of Spring Apartments* as at 31 May 2016 (being approximately RMB12.4 million, RMB65.8 million and RMB64.6 million respectively) are expected to be financed through the net proceeds of the Placing (of approximately HK\$65.0 million or equivalent to approximately RMB54.0 million) and the remaining by the expected sales and pre-sale proceeds from *Mountain Seaview Vacation Apartments*, *Joyful Apartments*, *Mountain Seaview Vacation Residence* and *Heart of Spring Apartments* to be received after the Track Record Period and the unpaid investment cost of *Gudou Yue Quan Wan Regimen and Recreation Centre* of approximately RMB12.3 million as at 31 May 2016 will be financed by internally generated funds and/or bank borrowings (as detailed in the sub-section headed “Properties — Owned and leased properties” of this section). During the five months ended 31 October 2016, we received proceeds from sales/pre-sales and earnest money from our *Mountain Seaview Vacation Apartments*, *Joyful Apartments* and *Mountain Seaview Vacation Residence* of approximately RMB16.2 million, RMB4.1 million and RMB27.0 million, respectively. We expect to finance the capital costs in relation to the proposed five-star hotel and health regimen facilities through our bank borrowings and internally generated funds. Tentatively, we plan to commence the construction of both the five-star hotel and the health regimen centre in or after 2019. In the event that we are unable to obtain sufficient funding for such developments or that the actual costs rise beyond our budget, such development plans may need to be put on hold or adjusted (such as in terms of size, style or business model, etc.), which in turn may have an adverse impact on our business and results of operations. In addition, the financing of such developments through bank borrowings may increase our finance costs, which may adversely impact our results of operations. Please refer to the sub-section headed “Business — Properties — Investment properties portfolio” of this prospectus for further details of our development plans for investment properties.

PRE-IPO INVESTMENTS AND OUR SHAREHOLDERS

On 5 September 2014, we entered into the Pre-IPO Investments, details of which are as follows: (i) the subscription by Fu An’s nominee of 3,040,000 Shares at a subscription price of HK\$35,200,000, together with (a) a put option granted by our Company to Fu An’s nominee; and (b) a loan in the principal amount of HK\$30,000,000 granted by Fu An to View Top for a term of 18 months (which was extended to 42 months by a deed of confirmation dated 2 March 2016); (ii) the purchase by Dynasty Fortune’s nominee of 4,560,000 Shares from Harvest Talent (being our Controlling Shareholder) for a consideration of HK\$52,800,000, together with (a) a put option granted by our Company to Dynasty Fortune’s nominee; and (b) a loan in the principal amount of HK\$30,000,000 granted by Dynasty Fortune to View Top for a term of 18 months (which was

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extended to 42 months by a deed of confirmation dated 2 March 2016) and (iii) the purchase by Grand Luck of 1,900,000 Shares from Harvest Talent (being our Controlling Shareholder) for a consideration of HK\$22,000,000, together with a put option granted by our Company to Grand Luck. Please refer to the section headed “History, Reorganisation and Group structure — Pre-IPO Investments” of this prospectus for further details of the Pre-IPO Investments. Following completion of the Placing and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and taking no account of any Share to be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme), the total issued share capital of our Company will be held as to 54.34%, 9.18%, 6.12% and 3.83% by our Controlling Shareholder, Dynasty Fortune’s nominee, Fu An’s nominee and Grand Luck, respectively. Please refer to the sub-section headed “History, Reorganisation and Group structure — Pre-IPO Investments” of this prospectus for further details of our Pre-IPO Investments.

OUR SUPPLIERS

Our major suppliers primarily comprise (i) construction companies; and (ii) suppliers for our F&B services and other daily utilities. For our tourism property development projects, we engage construction companies as our contractors to carry out construction work and procure the necessary construction materials. For our hot spring resort and hotel operations, food ingredients are our principal raw materials. We purchase the food ingredients for our F&B outlets on an “as-needed” basis. Please refer to the sub-section headed “Business — Procurement and suppliers — Suppliers” of this prospectus for further details of our suppliers.

OUR CUSTOMERS

Our customers primarily comprise (i) hot spring resort and hotel customers that include travel agencies, corporate customers, customers through Internet booking, walk-in customers and tenants leasing ancillary commercial properties held by us; and (ii) purchasers of our tourism properties. No single customer was material to our business during the Track Record Period. Please refer to the sub-section headed “Business — Customers” of this prospectus for further details of our customers.

OUR STRENGTHS AND STRATEGIES

We believe that our success and future prospects are primarily driven by a combination of the following key competitive strengths:

- Our two arms of business complement each other to create synergy between them that provides us with more stable income and higher growth prospects
- We believe our established market position and brand recognition position us favourably in the hot spring and hotel industry in Guangdong Province
- We are strategically located within close proximity to various existing railways and highways, and expected transportation network
- We are well-positioned to capitalise the significant and sustainable growth of the tourism industry
- We run a natural spring waterpark which serves to reduce the impact by seasonality of hot spring operations
- We have an experienced management team with proven track record in hot spring resort and hotel operations and tourism-related property development

SUMMARY

We intend to achieve sustainable growth in our current business and to create long-term shareholder's value through the implementation of the following core business strategies:

- We plan to continue to enhance our position in the hot spring resort and hotel industry by way of (i) replicating our business model to operate new hot spring resorts; and (ii) providing management services to other hot spring resort owners
- We plan to expand our tourism property development business over the wealth of land reserve in our *Gudou Hot Spring Resort*
- We plan to continue to enhance our “*Gudou*” brand across the PRC by providing quality products and service to our customers

FINANCIAL RESOURCES AND LIQUIDITY MANAGEMENT

During the Track Record Period, we funded our growth principally from cash generated from our operations and borrowings. We recorded net cash generated from operating activities of approximately RMB41.1 million for the year ended 31 December 2014 despite our net current liabilities position of approximately RMB57.8 million as at 31 December 2014. We had net cash used in operating activities of approximately RMB2.9 million for the year ended 31 December 2015 mainly due to the advance payments made to contractors for the renovation work of those units of our *Mountain Seaview Vacation Apartments* in relation to the “nil fee payment” operation agreements during 2015. We recorded net cash generated from operating activities of approximately RMB30.5 million for the five months ended 31 May 2016 mainly due to the increase in proceeds received from pre-sale of properties of approximately RMB38.8 million for the pre-sale of tourism properties under our *Joyful Apartments*. Please also refer to the sub-section headed “Risk factors — We recorded negative operating cash flows for the year ended 31 December 2015” of this prospectus for the relevant risk exposure. We also had net current liabilities of approximately RMB39.2 million as at 31 May 2016. Going forward, we expect cash generated from our operations, bank borrowings and the proceeds from the Placing to be our principal sources of liquidity. We have adopted capital management policies, please refer to the sub-section headed “Business — Non-compliance — Specific internal control measures adopted to prevent future non-compliance incidents” of this prospectus for details of the policies. With a combination of net proceeds from the Placing, our record of net cash generated from our operating activities during the year ended 31 December 2014 and the five months ended 31 May 2016, our bank financing and our capital management, our Directors take the view that we will have sufficient financial resources to satisfy our working capital and capital expenditure requirements after Listing.

NON-COMPLIANCE OF OUR GROUP

During the Track Record Period, we had certain non-compliance incidents. Our Directors believe that these incidents of non-compliance, whether individually or collectively, will not have a material impact on our business, financial condition and results of operations. Please refer to the sub-section headed “Business — Non-compliance” of this prospectus for further details.

NON-COMPLIANCE OF MR. HON CHI MING

During the three-year period from 2 January 2007, Mr. Hon acted as the legal representative and a director of Guangdong Gudou in violation of the relevant PRC laws and regulations. Our PRC Legal Advisers take the view that no penalties will be imposed on our Group for the foregoing violation by Mr. Hon. In any event, our Controlling Shareholders have given indemnities in favour of our Group, which cover any loss suffered by our Group as a result of the foregoing violation by Mr. Hon. Please refer to the sub-section headed “Directors, senior management and employees — Executive directors” of this prospectus for further details.

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LISTING EXPENSES

The estimated total Listing expenses, which is non-recurring in nature, is approximately RMB54.5 million (assuming a Placing Price of HK\$0.60 per Placing Share, being the low-end of the indicative Placing Price range). The estimated Listing expenses to be borne by the Selling Shareholder is approximately RMB0.5 million while the Listing expenses to be borne by our Group is approximately RMB54.0 million, of which approximately RMB18.1 million is directly attributable to the issue of the Placing Shares and is to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately RMB35.9 million is expected to be charged to our consolidated statement of profit or loss and other comprehensive income. Please refer to the sub-section headed “Financial information — Listing expenses” of this prospectus for further details.

RECENT DEVELOPMENTS

Hot spring resort and hotel operations

There were no changes to our general business model after the Track Record Period. According to Jiangmen Statistical Information Net, sales of the hotel industry in Jiangmen City increased by approximately 4.5% for the first nine months of 2016 compared to that of the corresponding period in 2015. The room revenue generated from our four themed hotel complexes for the five months ended 31 October 2016 increased by approximately 30.7% compared to that for the five months ended 31 October 2015, while the occupancy rate of our themed hotel complexes decreased by approximately 5.3% from approximately 48.1% for the five months ended 31 October 2015 to approximately 42.8% for the five months ended 31 October 2016. The Directors believe that the decrease in occupancy rate was mainly due to the opening of our *Mountain Seaview Hotel* in February 2016 which led to an increase in Total Available Room Nights. The RevPAR of our themed hotel complexes for the five months ended 31 October 2016 decreased to approximately RMB110.8 compared to approximately RMB137.2 for the five months ended 31 October 2015, mainly due to an increase in Total Available Room Nights of our themed hotel complexes.

Tourism property development

According to Jiangmen Statistical Information Net, the sales of commodity buildings in Jiangmen City increased by approximately 31.5% for the first nine months of 2016 compared to that of the corresponding period in 2015. Despite the fact that the property development industry in Jiangmen City showed signs of recovery, we recorded a decrease in revenue from our tourism property development business for the five months ended 31 October 2016 as compared to the five months ended 31 October 2015 mainly due to the decrease in GFA sold and delivered for our *Mountain Seaview Vacation Apartments* which started its pre-sale in July and September 2014 and the fact that we have not yet recognised revenue for the pre-sold units of *Joyful Apartments* and *Mountain Seaview Vacation Residence*.

During the five months ended 31 October 2016, we sold and delivered 34 units comprising a total of approximately 2,878.6 sq.m. of GFA of our *Mountain Seaview Vacation Apartments*, pre-sold 12 units comprising a total of approximately 456.0 sq.m. of GFA of our *Joyful Apartments* and pre-sold 92 units comprising a total of approximately 6,805.7 sq.m. of GFA of our *Mountain Seaview Vacation Residence*, representing approximately 8.1%, 6.2% and 25.5% of the total saleable GFA of our *Mountain Seaview Vacation Apartments*, *Joyful Apartments* and *Mountain Seaview Vacation Residence*, respectively. As at 31 October 2016, 24 units out of 588 units (or approximately 4.1%) of our *Mountain Seaview Vacation Apartments* remained unsold, 25 units out of 185 units (or approximately 13.5%) of our *Joyful Apartments* and 351 units out of 443 units (or approximately 79.2%) of our *Mountain Seaview Vacation Residence* have not yet been pre-sold. During the five months ended 31 October 2016, we received proceeds from sales/pre-sales and

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earnest money from our *Mountain Seaview Vacation Apartments*, *Joyful Apartments* and *Mountain Seaview Vacation Residence* of approximately RMB16.2 million, RMB4.1 million and RMB27.0 million, respectively. Our *Joyful Apartments* passed the necessary development inspection and acceptance in November 2016.

Overall performance

For the year ending 31 December 2016, our Group's revenue will largely depend on the revenue from our tourism property development, which in turn will rest on the sale of our *Mountain Seaview Vacation Apartments* and *Joyful Apartments*. Should there be unsatisfactory sales of our *Joyful Apartments*, the result of operations of our Group for the year ending 31 December 2016 may be materially and adversely affected. The financial performance of our Group for the year ending 31 December 2016 is expected to be materially and adversely affected by various factors, in particular, (i) an expected decrease in gross profit margin which is mainly attributable to an expected increase in our staff costs and the fact that we started to recognise renovation costs of our *Mountain Seaview Vacation Apartments* since early 2016 (*Note*) and the depreciation of the new entrance to our *Gudou Hot Spring Resort* which came into use in early 2016, (ii) the expected increase in Directors' fees and professional fees; and (iii) the non-recurring expenses in relation to the Listing. It is expected that our Group will record an increase in net loss for the year ending 31 December 2016 as compared to the year ended 31 December 2015. Such expectation is a current estimate for reference only and the final results for the year ending 31 December 2016 are subject to the actual performance of our Group.

Note:

Our *Mountain Seaview Vacation Apartments* were sold in bare shell condition and we had entered into operation agreements with certain of the property owners at no rental charges on the condition that our Group undertakes the renovation work for such tourism properties at our Group's own costs and expenses. The renovation costs, when incurred, would be recognised as prepayments and amortised over the term of the operating lease. We started the term of the current operation agreements of our *Mountain Seaview Vacation Apartments* in early 2016. Hence, we did not recognise any relevant renovation costs of our *Mountain Seaview Vacation Apartments* in 2015.

According to our revenue recognition policy, we only recognise revenue from property sales when the construction of relevant properties has been completed and the properties have been delivered to our customers. Should there be a delay in the delivery of any or all of our three tourism property development projects, namely *Joyful Apartments*, *Mountain Seaview Vacation Residence* and *Heart of Spring Apartments* according to their respective development schedules, we will not be able to recognise the revenue, in whole or in part, from the sale of these three tourism property development projects for the year ending 31 December 2016 and/or 2017 and our Group's financial results for the years ending 31 December 2016 and/or 2017 would be adversely affected.

Despite the fact that our Group is expected to record a net loss for the year ending 31 December 2016, taking into account the financial resources available to our Group, including internally generated funds from our operating activities, available banking facilities and other borrowings, and the estimated net proceeds from the Placing, our Directors are of the opinion that our Group has sufficient working capital for at least the next 12 months from the date of this prospectus and our business is sustainable going forward.

Material change

Save as disclosed in the sub-sections headed "Listing expenses" and "Recent developments" in this section, our Directors are of the opinion that there is no fundamental deterioration in the commercial and operational viability in our business. Our Directors confirm that, since 31 May 2016 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects, and there has been no event which would have material adverse effect on the information presented in the Accountant's Report set out in Appendix I to this prospectus.

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STATISTICS OF THE PLACING

	Based on a Placing Price of HK\$0.60	Based on a Placing Price of HK\$0.88
Market capitalisation of our Company (<i>Note 1</i>)	HK\$588.0 million	HK\$862.4 million
Unaudited pro forma adjusted net tangible asset value per Share (<i>Note 2</i>)	HK\$0.43	HK\$0.50

Notes:

1. The calculation of market capitalisation is based on 980,000,000 Shares expected to be in issue immediately upon completion of the Placing and the Capitalisation Issue. The market capitalisation does not take into account any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme.
2. Please refer to the section headed “Unaudited pro forma financial information” in Appendix II to this prospectus for details of the calculation.

DIVIDEND

After completion of the Placing, our Shareholders will be entitled to receive dividends which may be declared by us. We do not have a fixed dividend policy. No dividends have been declared by our Company or the subsidiaries now comprising our Group to their then equity owners during the Track Record Period. Please refer to the sub-section headed “Financial information — Dividend and distributable reserve” of this prospectus for further details.

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder. We estimate that the aggregate net proceeds payable to us from the Placing, after deducting placing fees and estimated expenses payable by us in connection with the Placing, will be approximately HK\$121.7 million based on a Placing Price of HK\$0.60 (being the low-end of the Placing Price range stated in this prospectus). We currently intend to apply these net proceeds in the following manner:

- approximately HK\$37.1 million (or approximately 30.5%) of the net proceeds for funding a portion of construction and development costs for three tourism property development projects;
- approximately HK\$78.9 million (or approximately 64.8%) of the net proceeds for repayment of shareholders’ loans;
- approximately HK\$1.3 million (or approximately 1.1%) of the net proceeds for enhancing our *Gudou Hot Spring Resort* and its existing facilities; and
- approximately HK\$4.4 million (or approximately 3.6%) of the net proceeds for funding for our working capital and other general corporate purpose.

Please refer to the section headed “Future plans and use of proceeds” of this prospectus for further details.

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RISK FACTORS

We believe that there are certain risks and uncertainties involved in or with our business operations, some of which are beyond our control. The most significant risks are summarised below. These risks are not the only significant risks that may affect the value of the Shares. Please refer to the section headed “Risk factors” of this prospectus for further details.

- Our results of operations included unrealised revaluation adjustments on investment properties, which may fluctuate significantly over financial periods and may materially and adversely affect our business, results of operations and financial conditions
- Our indebtedness and the conditions and covenants imposed on us by our loan agreements could materially and adversely affect our business and results of operations
- More stringent PRC requirements affecting funding for property developers may affect our ability to obtain capital resources for our tourism property development on commercially reasonable terms, or at all
- We are entirely dependent on our *Gudou Hot Spring Resort* for all our revenue, which subjects us to greater risks than other companies with more operating properties
- Our results of operations and financial condition may be adversely affected if we fail to obtain or renew, or if there is any material delay in obtaining or renewing, any of the relevant PRC governmental approvals for our hot spring resort and hotel operations and tourism property development business
- We may not be able to complete the development or construction of our current or future projects on time, within budget or at all
- The availability of adequate financing is crucial to our operations which are capital intensive
- Incidents or adverse publicity concerning our hot spring resort or the hot spring and hotel industry generally could harm our brand or reputation as well as negatively impact our revenue and profitability
- We recorded net current liabilities as at 31 December 2014, 31 December 2015 and 31 May 2016
- The Placing is not underwritten

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms and expressions shall have the following meanings:

“affiliate”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Articles”	the articles of association of our Company, conditionally adopted on 18 November 2016 and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Baden Town Villas”	<i>Baden Town Villas</i> (巴登小鎮別墅), a completed tourism property project at our <i>Gudou Hot Spring Resort</i>
“Beachfront Cabanas”	<i>Beachfront Cabanas</i> (沙灘木屋), part of our <i>Holiday Lakeview Hotel</i>
“Board”	the board of Directors
“business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	British Virgin Islands
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of the amount of HK\$7,120,000 standing to the credit of the share premium account of our Company as referred to in the paragraph headed “A. Further information about our Group — 3. Written resolutions of our Shareholders passed on 18 November 2016” in Appendix V to this prospectus
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

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“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Celestial Capital” and/or “Sole Sponsor”	Celestial Capital Limited, a licenced corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, acting as the sole sponsor to the Listing
“close associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Commerce Authority”	the Commerce Department (商務部門) of the PRC or, where the context so requires, MOFCOM or its delegated authority at provincial, municipal or other local level
“Companies Law” or “Cayman Islands Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Gudou Holdings Limited (古兜控股有限公司), a company incorporated in the Cayman Islands with limited liability on 10 January 2014
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules and, in the context of this prospectus, means Harvest Talent and Mr. Hon
“core connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Crowe Horwath”	Crowe Horwath (HK) Consulting & Valuation Limited, an independent market and consulting company that provides market survey and consulting services
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets

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“DF Tourism”	Dynasty Fortune Tourism Property Investments Limited (朝富旅遊產業投資有限公司) (formerly known as Dynasty Fortune Gudou Investments Limited (朝富古兜投資有限公司)), a company incorporated in the BVI with limited liability on 11 September 2014 and is wholly-owned by Dynasty Fortune
“Director(s)”	the director(s) of our Company
“Dragon Spring Suite”	<i>Dragon Spring Suite</i> (龍泉居), part of our <i>Holiday Lakeview Hotel</i>
“Dynasty Fortune”	Dynasty Fortune Capital Limited (朝富資本有限公司), a company incorporated in Hong Kong with limited liability on 22 November 2013, which is beneficially and wholly-owned by Mr. Hui Chin Tong Godfrey, our non-executive Director. It will indirectly hold approximately 9.18% of the issued share capital of our Company through its nominee, DF Tourism, immediately upon completion of the Placing and the Capitalisation Issue (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme)
“EIT”	Enterprise Income Tax (企業所得稅)
“EIT Law”	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法)
“Fu An”	Fu An International Investments Limited (富安國際投資有限公司), a company incorporated in Hong Kong with limited liability on 26 September 2003, 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. It will indirectly hold approximately 6.12% of the issued share capital of our Company through its nominee, Wealth Promise, immediately upon completion of the Placing and the Capitalisation Issue (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme)
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as made by the Stock Exchange from time to time

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“Grand Luck”	Grand Luck Ventures Limited(泰瑞創投有限公司), a company incorporated in the BVI on 6 June 2014, which is beneficially and wholly-owned by Mr. Li Chao Wang, an Independent Third Party. It will directly hold approximately 3.83% of the issued share capital of our Company immediately upon completion of the Placing and the Capitalisation Issue (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme)
“Group”, “our Group”, “we”, “us” or “our”	our Company and our subsidiaries following the completion of the Reorganisation or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the business carried on by such subsidiaries or (as the case may be) their respective predecessors
“Guangdong Gudou”	Guangdong Gudou Travel Group Company Limited*(廣東古兜旅遊集團有限公司)(formerly known as Guangdong Province Xinhui Gudou Hot Spring Resort Company Limited*(廣東省新會古兜溫泉旅遊度假邨有限公司)), a wholly foreign-owned enterprise established in the PRC on 25 October 2001 and a wholly-owned subsidiary of View Top
“ <i>Gudou Hot Spring Resort</i> ” or “our hot spring resort”	<i>Gudou Hot Spring Resort</i> (古兜溫泉綜合度假村), the hot spring resort located at Jiangmen City, Guangdong Province, the PRC and operated by our Group
“ <i>Gudou Hot Spring Valley</i> ”	<i>Gudou Hot Spring Valley</i> (古兜溫泉谷), being the hot spring facilities comprising 62 public hot spring pools located at <i>Gudou Hot Spring Resort</i>
“Gudou Hydropower Plant”	Jiangmen City Xinhui District Gudou Hydropower Plant*(江門市新會區古兜水電站), a collectively-owned enterprise(集體所有制企業) in the PRC and an Independent Third Party
“ <i>Gudou International Conference Centre</i> ”	<i>Gudou International Conference Centre</i> (古兜國際會議中心), being the conference centre at our <i>Gudou Hot Spring Resort</i>
“Gudou Wonderland”	Gudou Wonderland Limited, a company incorporated in the BVI on 21 February 2014 and a wholly-owned subsidiary of our Company
“ <i>Gudou Yue Quan Wan Regimen and Recreation Centre</i> ”	<i>Gudou Yue Quan Wan Regimen and Recreation Centre</i> (古兜月泉灣養生康體中心), a health and regimen themed hotel under development

DEFINITIONS

“Harvest Talent” or “Selling Shareholder”	Harvest Talent Investments Limited, a company incorporated in the BVI on 7 November 2013, which is wholly-owned by Mr. Hon and is one of the Controlling Shareholders and the vendor of the Sale Shares
“Heart of Spring Apartments”	<i>Heart of Spring Apartments</i> (泉 心 養 生 公 寓), a tourism property project under development by our Group in our <i>Gudou Hot Spring Resort</i>
“HK\$”, “Hong Kong dollars” or “HK dollars” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standards
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Holiday Lakeview Hotel”	<i>Holiday Lakeview Hotel</i> (假 日 湖 景 酒 店), one of the four themed hotel complexes in our <i>Gudou Hot Spring Resort</i>
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hot Spring Guest Lodge”	<i>Hot Spring Guest Lodge</i> (温 泉 客 房), part of our <i>Hot Spring Villa Hotel</i>
“Hot Spring Villa Hotel”	<i>Hot Spring Villa Hotel</i> (温 泉 別 墅 酒 店), one of the four themed hotel complexes in our <i>Gudou Hot Spring Resort</i>
“IFRSs”	International Financial Reporting Standards
“Independent Third Party(ies)”	a person(s) or company(ies) who/which is/are not connected with (within the meaning of the GEM Listing Rules) our Directors, chief executive and the substantial shareholders of our Company, our subsidiaries or any of their respective associates
“Japanese Pavilion”	<i>Japanese Pavilion</i> (東 瀛 閣), part of our <i>Royal Spa Hotel</i>
“Jiangmen Gudou Development”	Jiangmen City Gudou Travel and Development Company Limited* (江 門 市 古 兜 旅 遊 開 發 有 限 公 司), a limited liability company established in the PRC on 7 March 2012 and a wholly-owned subsidiary of Guangdong Gudou

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“Jiangmen Gudou Management”	Jiangmen City Gudou Travel and Hotel Management Company Limited* (江門市古兜旅遊酒店管理有限公司), a limited liability company established in the PRC on 20 May 2011 and a wholly-owned subsidiary of Guangdong Gudou
“Joint Bookrunners” and/or “Joint Lead Managers”	Ping An Securities and Zhaobangji
“Joyful Apartments”	<i>Joyful Apartments</i> (樂活城公寓), a completed tourism property project in our <i>Gudou Hot Spring Resort</i>
“LAT”	Land Appreciation Tax (土地增值稅)
“Lakeview Guest Lodge”	<i>Lakeview Guest Lodge</i> (湖景客房), part of our <i>Holiday Lakeview Hotel</i>
“Latest Practicable Date”	20 November 2016, being the latest practicable date before the publication of this prospectus for ascertaining certain information contained in this prospectus
“Listing”	the listing of our Shares on GEM
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares first commence on GEM and which is expected to be on or around Friday, 9 December 2016
“Main Board”	the stock market operated by the Stock Exchange before the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on 18 November 2016 and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“MLR”	Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOHURD”	Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部), or its predecessor, Ministry of Construction of the PRC (中華人民共和國建設部)
“Mountain Seaview Hotel”	<i>Mountain Seaview Hotel</i> (山海酒店), one of the four themed hotel complexes in our <i>Gudou Hot Spring Resort</i>

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“ <i>Mountain Seaview Vacation Apartments</i> ”	<i>Mountain Seaview Vacation Apartments</i> (山海度假公寓), a completed tourism property project in our <i>Gudou Hot Spring Resort</i>
“ <i>Mountain Seaview Vacation Residence</i> ”	<i>Mountain Seaview Vacation Residence</i> (山海度假公館), a tourism property project under development by our Group in our <i>Gudou Hot Spring Resort</i>
“Mr. Hon”	Mr. Hon Chi Ming, our founder, chairman, chief executive officer, one of our executive Directors and our Controlling Shareholder
“Mrs. Hon”	Ms. Li Wai Ling, the spouse of Mr. Hon and the mother of Mr. K. F. Hon
“Mr. K. F. Hon”	Mr. Hon Ka Fung, the son of Mr. Hon and one of our non-executive Directors
“ <i>Natural Spring Waterpark</i> ”	<i>Natural Spring Waterpark</i> (山泉水世界), a waterpark located in our <i>Gudou Hot Spring Resort</i> operated by our Group
“NDRC”	National Development and Reform Commission (中華人民共和國國家發展和改革委員會) or its local counterparts
“NHFPCC”	National Health and Family Planning Commission of the PRC (中華人民共和國國家衛生和計劃生育委員會), or its predecessor, Ministry of Health of the PRC (中華人民共和國衛生部)
“Non-competition Undertaking”	the non-competition undertaking dated 29 November 2016 and entered into by Harvest Talent and Mr. Hon in favour of our Company pursuant to which each of Harvest Talent and Mr. Hon has agreed to give certain non-competition undertakings as further described in the section headed “Relationship with our Controlling Shareholders” of this prospectus
“NPC”	The National People’s Congress of the PRC (全國人民代表大會)
“Over-allotment Option”	the option expected to be granted by our Company to the Joint Bookrunners, exercisable by Ping An Securities at any time from the date of the Placing Agreement until the 30th day from the Listing Date, to require our Company to allot and issue up to an aggregate of 39,000,000 additional new Shares, representing 15% of the initial Placing Shares, at the Placing Price solely to cover over-allocations in the Placing, if any
“PBOC”	The People’s Bank of China (中國人民銀行)

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“Ping An Securities”	Ping An Securities Limited, a licenced corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, acting as a joint bookrunner and joint lead manager of the Placing
“Placing Agreement”	the placing agreement dated 29 November 2016 relating to the Placing entered into among our Company, the Selling Shareholder, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers, particulars of which are summarised in the section headed “Placing” of this prospectus
“Placing”	the conditional placing of the Placing Shares at the Placing Price to professional, institutional and individual investors as described in the section headed “Structure and conditions of the Placing” of this prospectus
“Placing Price”	the final placing price per Placing Share (excluding brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), which will be not more than HK\$0.88 and is expected to be not less than HK\$0.60 per Placing Share, such price is to be fixed at or before the Price Determination Date
“Placing Shares”	the 260,000,000 Shares, comprising 230,000,000 new Shares initially being offered by our Company for subscription and 30,000,000 Sale Shares being offered by the Selling Shareholder for sale, pursuant to the Placing, subject to the Over-allotment Option as described in the section headed “Structure and conditions of the Placing” of this prospectus
“PRC” or “China”	the People’s Republic of China, which for the purpose of this prospectus, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC Legal Advisers”	GFE Law Office, our legal advisers as to PRC law
“Pre-IPO Investments”	the investments made by each of Fu An, Dynasty Fortune and Grand Luck in our Group, details of which are set out in the section headed “History, Reorganisation and Group structure” of this prospectus
“Pre-IPO Investors”	Dynasty Fortune, Fu An and Grand Luck, and each “ Pre-IPO Investor ”
“Price Determination Date”	the date on which the Placing Price will be determined for the purposes of the Placing and, in any event, not later than Wednesday, 7 December 2016

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“Regimen Spa”	<i>Regimen Spa</i> (養生館), a spa and wellness centre located at our <i>Gudou Hot Spring Resort</i> and operated by our Group.
“Reorganisation”	the reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and Group structure” of this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Royal Spa Hotel”	<i>Royal Spa Hotel</i> (皇家Spa酒店), one of the four themed hotel complexes in our <i>Gudou Hot Spring Resort</i>
“SAFE”	State Administration of Foreign Exchange (國家外匯管理局)
“SAIC”	State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“Sale Shares”	the 30,000,000 Shares being offered by the Selling Shareholder for sale at the Placing Price under the Placing
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the 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) with nominal value of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 18 November 2016, the principal terms of which are summarised in Appendix V to this prospectus
“Shareholder(s)”	holder(s) of the Shares
“South Asian Villas”	<i>South Asian Villas</i> (南亞風情別墅), a completed tourism property project in our <i>Gudou Hot Spring Resort</i>
“Stabilising Manager”	Ping An Securities
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Harvest Talent and the Stablising Manager on or about the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meanings as ascribed thereto under the GEM Listing Rules
“substantial shareholder(s)”	has the meanings as ascribed thereto under the GEM Listing Rules

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“Takeovers Codes”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC as amended, supplemented or otherwise modified from time to time
“Tang Palace”	<i>Tang Palace (唐宮)</i> , part of our <i>Royal Spa Hotel</i>
“Track Record Period”	the two financial years ended 31 December 2014 and 2015 and the five months ended 31 May 2016; and the phrase “during the Track Record Period”, followed by a series of figures or percentages, refers to information relating to the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016, respectively
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “US dollars”	United States dollars, the lawful currency of United States
“View Top”	View Top Holding Limited (景騰集團有限公司), a company incorporated in Hong Kong with limited liability on 3 October 2000 and a wholly-owned subsidiary of Gudou Wonderland
“Wealth Promise”	Wealth Promise Holdings Limited (富諾控股有限公司), a company incorporated in the BVI with limited liability on 3 September 2014 and is wholly-owned by Fu An
“Weicheng Business Service”	Jiangmen City Weicheng Business Service Company Limited* (江門市偉成商務服務有限公司), a limited liability company established under the laws of the PRC on 13 June 2014 and indirectly wholly-owned by Mr. Hon after completion of the Reorganisation
“Weisheng Investment”	Jiangmen City Weisheng Investment Company Limited* (江門市偉盛投資有限公司), a limited liability company established under the laws of the PRC on 28 October 2009 and a wholly-owned subsidiary of Guangdong Gudou after completion of the Reorganisation
“Yueguangqu Entertainment”	Jiangmen City Xinhui Yueguangqu Entertainment Company Limited* (江門市新會區月光曲娛樂有限公司), a limited liability company established under the laws of the PRC on 24 January 2006 and a wholly-owned subsidiary of Guangdong Gudou after completion of the Reorganisation
“Zhaobangji”	Zhaobangji International Capital Limited, a licenced corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, acting as a joint bookrunner and joint lead manager of the Placing

DEFINITIONS

“Zhengming Property Management”	Jiangmen City Zhengming Property Management Company Limited* (江門市正明物業管理有限公司) (formerly known as Jiangmen Gudou Property Management Company Limited* (江門市古兜物業管理有限公司)), a limited liability company established under the laws of the PRC on 6 January 2012 and a former wholly-owned subsidiary of Guangdong Gudou before the Reorganisation, and which has become wholly-owned by Ms. Huang Jieming since May 2013
“%”	per cent.

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus are as at the Latest Practicable Date.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese which are marked with “” is for identification purpose only.*

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this prospectus in connection with our Group and our business. The terminologies and their meanings may not correspond to standard industry meanings or usage of those terms.

“average room rate”	the Room Revenue of a hotel or hotels (including related service charge) during a period divided by the Total Occupied Room Nights of such hotel or hotels during corresponding period
“CAGR”	compound annual growth rate
“commodity properties”	residential properties, commercial properties and other buildings that are developed by property developers for the purpose of sale or lease after their completion
“F&B”	food and beverages
“freshwater hot spring”	underground hot spring extracted under the land, which is also known as “radon hot spring (氡溫泉)”
“GFA”	gross floor area
“hot spring”	a spring that is produced by the emergence of geothermally heated groundwater from the Earth’s crust
“k.m.”	kilo metre(s)
“seawater hot spring”	seawater hot spring extracted under the ocean floor, which is also known as “sodium chloride hot spring (氯化鈉溫泉)” or “salty hot spring (咸溫泉)”
“occupancy rate”	Total Occupied Room Nights of a hotel during a period divided by the Total Available Room Nights
“Revenue per Available Room” or “RevPAR”	Room Revenue of a hotel (including related service charges) during a period divided by the Total Available Room Nights of such hotel during the same period
“Room Revenue”	revenue generated from room rates (including related service charges) of our themed hotel complexes in our <i>Gudou Hot Spring Resort</i>
“sq.ft.”	square feet
“sq.m.”	square metre

GLOSSARY OF TECHNICAL TERMS

“tourism properties”	a kind of commodity properties located at or nearby, surrounded by, or enclosed with tourism attractions and/or facilities
“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

FORWARD-LOOKING STATEMENTS

This prospectus contains, and the documents incorporated by reference herein may contain, forward-looking statements representing our goals, and actual results or outcomes may differ materially from those expressed or implied. Such forward-looking statements are subject to certain risks, uncertainties and assumptions. Forward-looking statements typically can be identified by the use of words such as “will”, “expect”, “estimate”, “anticipate”, “plan”, “believe”, “may”, “intend”, “ought to”, “continue”, “project”, “should”, “seek”, “potential” and other similar terms. Although we believe that our expectations are reasonable, we can give no assurance that these expectations will prove to have been correct, and actual results may vary materially. These forward-looking statements include, but not limited to, statements relating to:

- our business and operating strategies and the various measures we use to implement such strategies;
- our dividend distribution plans;
- our capital commitment plans;
- our operations and business prospects;
- the future competitive environment for the industry which we operate in;
- the regulatory environment as well as the general industry outlook for the industry which we operate in;
- future developments in the industry which we operate in; and general economic trends in China.

The words “will”, “expect”, “estimate”, “anticipate”, “plan”, “believe”, “may”, “intend”, “ought to”, “continue”, “project”, “should”, “seek”, “potential” and other similar expressions, as they relate to us (other than in relation to our profits, results of operations and earnings), are intended to identify a number of these forward-looking statements. Such statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Please refer to the sections headed “Risk factors”, “Business” and “Financial information” of this prospectus for more details.

Should one or more of these risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from the goals we have expressed or implied in these forward-looking statements. Except as required by applicable laws and regulations, including the GEM Listing Rules, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should not place undue reliance on any forward-looking information.

In this prospectus, statements of or references to our intentions or those of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

Potential investors should consider carefully all of the information set out in this prospectus and, in particular, should evaluate the following risks associated with an investment in the Placing Shares. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or the trading price of the Shares, and could cause you to lose all or part of your investment.

We believe that there are certain risks and uncertainties involved in or with our hot spring resort and hotel operations, tourism property development, business strategies and corporate structure and an investment in our Shares, some of which are beyond our control.

These risks can be broadly categorised into: (i) risks relating to our businesses in general; (ii) risks primarily relating to our hot spring resort and hotel operations; (iii) risks primarily relating to our tourism property development business; (iv) risks relating to doing business in the PRC; and (v) risks relating to the Placing.

RISKS RELATING TO OUR BUSINESSES IN GENERAL

Our results of operations included unrealised revaluation adjustments on investment properties, which may fluctuate significantly over financial periods and may materially and adversely affect our business, results of operations and financial condition

During the Track Record Period, we had fair value gains on investment properties of approximately RMB59.1 million, RMB21.3 million and RMB9.6 million, respectively. In particular, gains for the year ended 31 December 2014 accounted for approximately 71.4% of our profit before tax for the respective period. Although the upward revaluation adjustments reflected unrealised capital gains on our investment properties during the relevant periods, the adjustments were not actual cash flow or profit generated from the sales or leasing of our investment properties. Unless such investment properties are disposed of at similarly revalued amounts, we will not realise the actual cash flow. The amount of revaluation adjustments have been, and will continue to be, significantly affected by the prevailing property markets and will be subject to market fluctuations.

We cannot guarantee whether changes in market conditions will increase, maintain or decrease the fair value gains on our investment properties at the historical levels or at all. In addition, the fair value of our investment properties may materially differ from the amount we will receive in actual sales of the investment properties. If there is any material downward adjustment in the revaluation of our investment properties in the future or our investment properties are disposed of at significantly lower prices than their valuation, our business, results of operations and financial condition may be materially and adversely affected.

Our indebtedness and the conditions and covenants imposed on us by our loan agreements could materially and adversely affect our business and results of operations

During the Track Record Period, we had a high level of indebtedness. In order to implement our expansion plans, we may continue to incur significant debt to fund our hot spring resort and hotel operations and tourism property development. Our indebtedness may increase our vulnerability to adverse economic, political and other conditions beyond our control, which may affect our business operations and our ability to generate cash flow to meet regularly scheduled interest and principal payments on our debts.

RISK FACTORS

Our gearing ratio as at 31 December 2014, 31 December 2015 and 31 May 2016 was approximately 2.2, 3.3 and 3.8, respectively. During the Track Record Period, our finance costs were approximately RMB23.7 million, RMB46.4 million and RMB16.5 million, respectively. Our relatively high levels of indebtedness and finance costs could result in significant risks, including (i) a substantial portion of our cash flow from operations is dedicated to the payment of principal and interest on indebtedness, thereby reducing the funds available for operations, future business opportunities and capital expenditures; (ii) our ability to obtain additional financing for working capital, capital expenditures and general corporate purposes in the future may be limited; (iii) increased exposure to interest rate risks which could substantially affect our ability to generate cash or profit if there is an increase in the prevailing interest rate; (iv) we may be unable to adjust rapidly to changing market conditions; and (v) we may be vulnerable in a downturn in general economic conditions or in our business and we may be unable to carry out activities that are important to our growth.

Changes in interest rates have affected, and will continue to affect, our financing costs and, ultimately, our results of operations. Increases in interest rates may also affect our customers' ability to secure mortgages on acceptable terms, which in turn may affect their ability to purchase our tourism properties. We cannot assure you that PBOC will not raise lending rates further or otherwise discourage bank borrowings, which are factors that may materially and adversely affect our business, results of operations and financial condition.

Furthermore, our current bank loans, borrowings and other loan agreements include various conditions and covenants restricting us from carrying out certain activities and entering into certain transactions unless we obtain lenders' consent, such as taking new financing from any third party (including borrowings and issuance of commercial notes and bonds), pledging our equity interests or assets to any third party, providing any guarantees in favour of any third party, making dividend distribution and entering into any transactions involving consolidation, spin-off, share transfer and reorganisation. Please refer to the section headed "Financial information — Indebtedness" of this prospectus for further details. Failure to comply with any of these restrictive covenants under the loan agreements may constitute an event of default which will entitle the lenders to accelerate payment of all or any part of the debt. If we are unable to obtain sufficient alternative funding at reasonable terms, our business, prospects, financial condition and results of operations could be materially and adversely affected.

The restrictive covenants of any existing or new bank loan and other borrowings or failure to obtain lenders' consent could limit our ability to pay dividends or other distributions to our Shareholders, to raise additional capital for our hot spring resort and hotel operations and tourism property development, or to engage in some transactions that we expect to be of benefit to our business. Any of these limitations or restrictions could have a material and adverse impact on our business, financial condition and results of operations.

More stringent PRC requirements affecting funding for property developers may affect our ability to obtain capital resources for our tourism property development on commercially reasonable terms, or at all

The PRC government has in recent years introduced numerous policy initiatives in the financial sector to further tighten the requirements for lending to or otherwise restricting the availability of funding for property developers which, among other things:

- prohibit PRC commercial banks from granting loans to property developers for the purpose of paying land premiums;

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- prohibit property developers from pre-selling uncompleted units in a project before achieving certain development milestones;
- prohibit PRC banks from lending to any property developer for a particular project unless such property developer funds at least 20% of the total investment amount of the indemnificatory apartment or ordinary commercial housing project, or 25% of the total investment amount of any other real estate project from its own capital;
- prohibit PRC banks from lending to any property developer for a particular project if such property developer does not obtain land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit for that project; and
- prohibit property developers from using borrowings obtained from local banks to fund property developments outside that region.

Under the relevant PRC policies, financial institutions are required to further review the extension of loans and approval of financing for enterprises involved in real estate projects which have exceeded one year from the construction commencement dates as specified in the land use right grant contracts, and which have completed less than one-third of the total land area to be developed or which have invested less than one-fourth of any given building's total investment directly in the construction of the building, such financial institutions are also required to strictly control loan extensions and rolling credit. Such measures and any other similar measures in the future may limit our ability to obtain capital resources for our tourism property development on commercially reasonable terms, or at all, which may in turn adversely and materially affect our business, results of operations and prospects.

We are entirely dependent on our *Gudou Hot Spring Resort* for all our revenue, which subjects us to greater risks than other companies with more operating properties

Currently, all of our revenue is derived from the hot spring resort and hotel operations and the tourism property development business in our *Gudou Hot Spring Resort*. Our business, prospects and profitability entirely depend on the operation and management of the hot spring resort and hotel facilities in *Gudou Hot Spring Resort* and our development and sale of tourism properties located at *Gudou Hot Spring Resort*. Accordingly, we are subject to greater risks than other companies with more operating properties which are located in different geographical locations or which have a more diverse range of investments or assets. Due to such lack of other geographical locations and/or diversification, we are more exposed to local economic and competitive conditions, changes in law, natural disasters, infectious disease outbreaks. Any of these factors could adversely affect our business and results of operations and financial conditions.

Our results of operations and financial condition may be adversely affected if we fail to obtain or renew, or if there is any material delay in obtaining or renewing, any of the relevant PRC governmental approvals for our hot spring resort and hotel operations and tourism property development business

Under the relevant PRC laws and regulations, we are required to obtain certain approvals, permits and licences for our exploration of hot spring water and our overall hot spring resort and hotel operations, and these approvals, permits and licences are usually confined to a specific geographic area and time period. Our ability to carry on our hot spring resort and hotel

RISK FACTORS

operations is therefore subject to our ability to obtain and renew the required approvals, permits and licences from the relevant government authorities when they expire. In the event that any of our approvals, permits and licences are not renewed on time or at all or any of our approvals, permits and licences are revoked, the affected resort area may not be able to remain open or we may have to suspend or cease the relevant operations for which we are unable to obtain the required approvals, permits and licences.

The water source of our seawater hot spring originates from Weiken Xinzhou, Jiangmen City, Guangdong Province, the PRC. During the Track Record Period and up to the Latest Practicable Date, we had not obtained the required mining licence for the water extraction of seawater hot spring. Our PRC Legal Advisers have advised that, according to the relevant PRC laws and regulations, we may be required to cease extracting water from such seawater hot spring, compensate for the losses resulting from our unlicensed extraction, have our extracted mineral products confiscated, and (i) if the illegal income can be ascertained, such amount may be forfeited and we may be fined with an amount of up to 50% of our illegal income, or (ii) if the illegal income cannot be ascertained, we may be fined not more than RMB100,000.

Our water extraction licence for seawater hot spring expired on 31 March 2012 and was only renewed on 1 August 2014. Therefore, the water extraction of seawater hot spring during the period from 1 April 2012 to 31 July 2014 was not licenced. Our PRC Legal Advisers have advised that, according to the relevant PRC laws and regulations, a penalty of an amount not less than RMB20,000 and not more than RMB100,000 may be imposed on us.

If the aforementioned pecuniary penalties are imposed on our Group for our failure to obtain the required mining and water extraction licences, such penalties could adversely affect our results of operations and financial condition.

Further, in order to develop and complete a tourism property development project, we are required to obtain various permits, licences, certificates and other approvals from the relevant government authorities including qualification of real estate development enterprise, project approval, land use rights certificate, construction land planning permit, construction works planning permit, construction works commencement permit, pre-sale permit and project completion and acceptance registration at various development and construction stages of the project. Please refer to the section headed “Regulatory overview — Real estate” of this prospectus for further information.

We cannot assure you that we will not encounter material delays or other impediments in fulfilling the conditions or meeting the particular process requirements in order to obtain the required approvals, or that we will be able to adapt to new laws, regulations or policies in relation to the property development industry that may come into effect from time to time. There may also be delays on the part of relevant regulatory bodies in reviewing our applications and granting approvals. Furthermore, the relevant governmental authorities may not approve our project development plans and we may need to amend such plans in order to obtain the required approvals. If we fail to obtain, or encounter material delays in obtaining, the required approvals, the schedule of completion and sale of our property developments could be substantially disrupted and would materially and adversely affect our business, results of operations and financial condition. Amendment to our development plans may cause delays to our development schedules and have a material and adverse effect on our business and results of operations.

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We may not be able to complete the development or construction of our current or future projects on time, within budget or at all

We are currently developing two tourism property development projects in our *Gudou Hot Spring Resort*, namely *Mountain Seaview Vacation Residence* and *Heart of Spring Apartments*. Construction of *Mountain Seaview Vacation Residence* commenced in the fourth quarter of 2015 and construction of the entire properties is expected to complete by the fourth quarter of 2017. Construction of *Heart of Spring Apartments* is expected to commence in the fourth quarter of 2016 and construction of the entire properties is expected to complete by the fourth quarter of 2017. However, we cannot assure you that *Mountain Seaview Vacation Residence* and *Heart of Spring Apartments* will be completed on schedule and within budget, failure of which may have a significant negative effect on us.

During the construction period, we may face cost overruns or delays caused by a number of factors, including shortages of, or price increases in, energy, raw materials or skilled labour, unforeseen environmental problems, contractor default or insolvency, as well as difficulties in obtaining or inability to obtain any requisite licences, approvals or permits from regulatory authorities. If we experience any material increase in the cost of completion or significant delays in delivery of our projects or fail to complete the construction of our projects, our business, results of operations and financial condition may be materially and adversely affected.

According to our revenue recognition policy, we only recognise revenue from property sales when the construction of relevant properties has been completed and the properties have been delivered to our customers. Should there be a delay in the delivery of any or all of our three tourism property development projects, namely *Joyful Apartments*, *Mountain Seaview Vacation Residence* and *Heart of Spring Apartments* according to their respective development schedules, we will not be able to recognise the revenue, in whole or in part, from the sale of these three tourism property development projects for the years ending 31 December 2016 and/or 2017 and our Group's financial results for the years ending 31 December 2016 and/or 2017 would be adversely affected.

The availability of adequate financing is crucial to our operations which are capital intensive

The availability of adequate financing is crucial as hot spring resort and hotel operations and tourism property development are capital intensive. We finance our property and other business development activities primarily through, internally generated funds (including pre-sale and sale proceeds) and borrowings. As at 31 May 2016, we had ongoing and potential property and other business developments, namely (i) *Joyful Apartments*; (ii) *Mountain Seaview Vacation Residence*; (iii) *Heart of Spring Apartments*; (iv) *Gudou Yue Quan Wan Regimen and Recreation Centre*; (v) our proposed five-star hotel; and (vi) our proposed health regimen facilities, which were expected to further incur an aggregate cost of approximately RMB642.0 million. We expect to finance the capital costs of such developments through net proceeds of our Placing, our internally generated funds (including sales and pre-sale proceeds from *Mountain Seaview Vacation Apartments*, *Joyful Apartments*, *Mountain Seaview Vacation Residence* and *Heart of Spring Apartments*) and bank borrowings. Accordingly, if we record negative operating cash flows, fail to obtain adequate financing or the actual costs rise beyond our budget, we may not have sufficient funding for our ongoing and potential developments and they may need to be put on hold or adjusted which in turn may have an adverse impact on our business and results of operations. Even if we are able to secure bank borrowing for the expected costs of our ongoing and potential property and other business developments, we cannot assure you that such bank borrowing is obtained under terms commercially acceptable to us. Accordingly, given that the nature of our business generally contributes to significant funding needs, if we are unable

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to generate sufficient operating cash flow for our property and other business development activities and as a result the financing of a substantial part of the expected costs of our ongoing and potential development has to be resorted through bank borrowing, other borrowings and/or further issuance of Shares (or other equity financing means), there may be adverse implications on our results of operations due to an increase of finance costs (in the case of debt financing) or a dilution of Shareholders' interests (in the case of equity financing). The substantial increase in borrowings may also significantly increase our gearing position and hence may adversely impact our financial condition. Please also refer to the paragraph headed "Risks relating to the Placing - Shareholders will incur immediate and substantial dilution and may experience further dilution if we issue additional Shares in the future" of this section.

Our ability to generate sufficient funds or arrange adequate financing for our hot spring resort and hotel operations and tourism property development on terms commercially acceptable to us depends on a number of factors which are beyond our control. The PRC laws and regulations may impose restrictions on our ability to receive or prohibit us from receiving such payments. There may also be a change in the local land policy which may lead to a substantial increase in the amount of upfront expenditures in order to obtain pre-sale permits. If our ability to receive and utilise progress payments from customised developments or pre-sale proceeds is restricted, we may require more time to seek alternative methods to finance various stages of our hot spring resort and hotel operations and tourism property development.

Our ability to generate cash also depends on the demand for and prices of our tourism properties and the continual development and sale of our tourism properties. Any unfavourable change in our ability to generate profits from our business operations or our ability to collect installments from the purchasers on time could have a material adverse impact on our business, prospects, results of operations and financial condition.

Incidents or adverse publicity concerning our hot spring resort or the hot spring and hotel industry generally could harm our brand or reputation as well as negatively impact our revenue and profitability

Our ability to attract and retain visitors and customers depends, in part, on our reputation and "*Gudou*" brand, the external perception of our Group, the quality of our hot spring resort and services and our corporate and management integrity. The operations of our hot spring resort involve the risk of accidents, illnesses, environmental incidents and other incidents which may negatively affect the perception of guests on the safety, health and security of our resort, which could in turn negatively impact our brand or reputation and our business and results of operations.

The considerable expansion in the use of social media over recent years in the PRC has compounded the impact of negative publicity. Any accident or injury at our *Gudou Hot Spring Resort* or any hot spring resort operated by other hot spring resort operators, particularly an accident or injury or incident involving the safety of guests and/or the quality of hot spring water, that receives media attention or is the subject of public discussion, may harm our brand or reputation, cause a loss of consumer confidence, reduce attendance at our hot spring resort and negatively impact our results of operations. Besides, as our tourism properties are located in our *Gudou Hot Spring Resort*, any negative publicity concerning our *Gudou Hot Spring Resort* will directly and adversely affect our tourism property development business and have a material adverse effect on our business, results of operations and financial condition.

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We recorded net current liabilities as at 31 December 2014, 31 December 2015 and 31 May 2016

As at 31 December 2014, 31 December 2015 and 31 May 2016, we recorded net current liabilities of approximately RMB57.8 million, and RMB181.4 million and RMB39.2 million, respectively. We may record net current liabilities in the future. Having significant net current liabilities could constrain our operational flexibility and may impair our ability to make necessary capital expenditures, develop business opportunities or make strategic acquisitions. There is no assurance that our operations will generate sufficient cash inflow to finance all our activities and cover our general working capital requirements. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to resort to external funding. If adequate external funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected. Please refer to the sub-section headed “Financial information — Liquidity and capital resources” of this prospectus for more information.

We recorded negative operating cash flows for the year ended 31 December 2015

For the year ended 31 December 2015, we had net cash used in operating activities of approximately RMB2.9 million. Our net cash used in operating activities mainly included F&B costs, labour costs, rental payment for villas, Listing expenses, as well as construction and renovation costs. We may continue to record negative operating cash flows in the future. Negative operating cash flows may adversely affect our liquidity, and reduce our financial flexibility and our ability to obtain additional borrowings from bank, which in turn may affect the schedule of our development plan. In particular, we are developing a five-storeyed commercial complex known as *Gudou Yue Quan Wan Regimen and Recreation Centre*, which is expected to be a health and regimen themed hotel. Currently, we are also exploring the feasibility of developing a five-star hotel as well as health regimen facilities which we intend to engage an experienced five-star hotel management company and an experienced regimen centre management company to operate, respectively. Such ongoing and potential developments are expected to further incur an aggregate cost of approximately RMB499.2 million as at 31 May 2016, for which internally generated funds is one of our expected financing sources. If we continue to record negative operating cash flows or that the actual costs rise beyond our budget, we may not have sufficient funding for our ongoing and potential developments and they may need to be put on hold or adjusted (such as in terms of size, style or business model, etc.), which in turn may have an adverse impact on our business and results of operations.

Our success depends on the continued effective execution of our business strategy and management of our growth, and our inability to do so may affect our results of operations and financial condition

Our business strategy focuses on leveraging our expertise in operating and managing our *Gudou Hot Spring Resort* to enhance our hot spring resort and hotel operations and to develop and expand our tourism property development business. The successful execution of our business strategy depends on our ability to provide industry-leading hot spring facilities and develop attractive tourism property development projects. Our revenue also depends on a healthy mix of revenue from our hot spring resort and hotel operations and tourism property development business. The success in executing our business strategy may be adversely affected by a number of factors, including loss of our key management members, changes in the PRC government’s policies with respect to hot spring resort and hotel operation and tourism property markets, the

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availability of suitable land and sufficient funding, or a downturn in the PRC economy. If we cannot continue to execute our business strategy, we may be unable to continue our growth or maintain our market position, which may adversely affect our results of operations and financial conditions.

Specifically, we intend to replicate our *Gudou Hot Spring Resort* business model to develop other hot spring resorts in other parts of China. Expansion may place substantial strain on our managerial, operational and financial resources. For instance, we may not have sufficient working capital or financing to take up new opportunities for hot spring resort and hotel operations or tourism property development projects. In addition, we may have limited knowledge of the local conditions of these new markets, which may differ from the conditions of the market in which we currently operate. We cannot assure you that we will be able to successfully leverage our experience to expand into other parts of the PRC. When we enter into new markets, we may face intense competition from other hot spring resort operators with industry experience or which have established a presence in the relevant geographical areas and from other developers with similar expansion targets. We may not be able to recover the costs incurred in developing our new projects and initiatives or to realise the intended or projected benefits. In addition, we intend to expand our business by offering management services to other hot spring resort operators. Since we have no experience in engaging in the resort management business, we cannot assure you the success in generating sufficient revenue to make this business profitable. The success of such business depends on a number of factors, both within and outside the control of our Group, including the successful employment of our Group's experience built from managing *Gudou Hot Spring Resort* to offer resort management services to other hot spring resort operators elsewhere. Evaluation of our Group's resort management business and its prospects is difficult, and we cannot assure you the rate of return of this new business. We also cannot assure you that we can anticipate and resolve all problems that may occur during our expansion and failure to do so may have a material adverse effect on our business, results of operations and financial condition.

Our results of hot spring resort and hotel operations may fluctuate due to seasonal and other factors

The nature of our hot spring resort and hotel operations is subject to a high degree of variability due to seasonal factors. During the Track Record Period, we generally had better operational performance and derived a higher amount of revenue from our hot spring resort and hotel operations in the first and fourth quarters of a calendar year due to the winter season and certain holiday periods, such as National Day and Lunar New Year. Please refer to our quarterly operational and financial performance by revenue, net profit, hotel room occupancy rates and hot spring admission during the Track Record Period as set out under the sub-section headed "Financial information — Key factors affecting our Group's results of operations — Seasonality" of this prospectus, which demonstrates the variability of our operational and financial performance during the Track Record Period. As a result of the above factors, our results of hot spring resort and hotel operations may fluctuate significantly from time to time and comparisons between the revenues generated at different periods of the year may not be meaningful. The results for a given period are not necessarily indicative of results to be expected for any other period of the year.

Our future acquisitions may prove to be difficult to integrate and manage or may not be successful

We consider acquiring other existing hot spring resorts from third parties as a means of pursuing our business strategies. As at the Latest Practicable Date, we had no acquisition target and had not entered into any agreement or memorandum to acquire any company or business.

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This strategy entails potential risks that could have a material adverse effect on our business, prospects, results of operations and financial condition, including:

- the availability, terms and costs of any financing required to make an acquisition;
- delays in securing or inability to secure necessary governmental approvals and third-party consents;
- potential negative effects on our liquidity position;
- the diversion of resources and management attention from our existing businesses;
- potential ongoing financial obligations and unforeseen or hidden liabilities of our acquisition targets;
- the costs of and difficulties in integrating acquired businesses, managing enlarged business operations and operating in new markets, regulatory environments and geographic regions;
- our failure to deliver the expected synergies, to achieve the intended objectives or benefits, or to generate sufficient revenue to recover the costs and expenses of an acquisition; and
- dilution of our earnings per Share or decrease in our margins due to the lower profitability of an acquired business.

We may not be able to identify attractive acquisition opportunities, or make acquisitions on attractive terms or obtain financing necessary to complete and support such acquisitions. The anticipated future expansion of our operations through acquisitions will place a significant strain on our management, internal controls and resources, and may also result in additional expenditure. In addition to training, managing and integrating our workforce, we need to continue to develop and improve our management and financial controls. We cannot assure you that any of such acquisitions will result in long-term benefits to us or that we will be able to effectively manage the integration and growth of our operations. Failure to do so may materially and adversely affect our business, prospects, results of operations and financial condition.

We may not be able to obtain or retain a sufficient number of sites suitable for tourism property development

We derive a significant portion of our revenue from the sale of tourism properties that we have developed in our *Gudou Hot Spring Resort*. Revenue from sales of tourism properties accounted for approximately 53.3%, 51.4% and 16.1% respectively of our total revenue during the Track Record Period. This revenue stream is dependent on our ability to complete and sell our tourism properties. To maintain or grow our business in the future, we will be required to replenish our land reserve with suitable sites for tourism property developments. Our ability to identify and acquire a sufficient number of suitable sites, whether within and/or outside our *Gudou Hot Spring Resort*, is subject to a number of factors that are beyond our control. If we are unable to replenish our land reserve, our business, prospects, results of operations and financial condition may be materially and adversely affected.

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Our insurance coverage may not be adequate to cover all possible losses that we could suffer and our insurance costs may increase

We seek to maintain comprehensive insurance coverage at commercially reasonable rates. There are no national mandatory provisions under the relevant PRC laws and regulations requiring property developers or hot spring resort operators to maintain insurance coverage with respect to their operations. The major types of insurance that we maintain include (i) property risk insurance; (ii) employer liability insurance for our employees; and (iii) public liability insurance in respect of accidents to visitors. Our insurance policies do not cover all types of losses and liabilities. There can be no assurance that our insurance will be sufficient to cover the full extent of all losses or liabilities for which we are insured, and we cannot guarantee that we will be able to renew our current insurance policies on favourable terms, or at all. In addition, if we sustain significant losses or make significant insurance claims, our ability to obtain future insurance coverage at commercially reasonable rates could be materially adversely affected.

We substantially depend on key personnel, and the loss of such key personnel could harm our business

Our future business and results of operations substantially depend on the continuous contributions of our Directors and senior management. In particular, Mr. Hon, who is our Controlling Shareholder, has led our senior management team in building up our established market position in the hot spring resort industry in the PRC since the inception of our Group. The loss of any of services of the senior management could have a material adverse effect on our Group. Our Directors and our senior management are key to our Group's success because of their expertise and experience in the hot spring and hotel industry, market development, and their contributions to tourism property development and expertise in managing the operations of our Group. In addition, the relationships and reputation that our senior management team have established and maintained with customers and suppliers of our Group are among the successful factors of our Group.

We expect that our Directors and our senior management team will continue to play an important role in the future growth and success of our business. Our ability to effectively implement our business strategy will depend upon, among other factors, the successful recruitment and retention of new highly skilled and experienced management and other key personnel. There is no assurance that we will be able to hire or retain such personnel, nor is there any assurance that we will not lose the services of Mr. Hon in relation to his acting as the legal representative and a director of Guangdong Gudou during the period from 2 January 2007 to 2 January 2010 in violation of relevant PRC laws and regulations (please refer to the section headed "Directors, senior management and employees — Executive directors" of this prospectus for further details). In the event of the loss of services of Mr. Hon or other key personnel, or any failure to hire new highly skilled and experienced management, our business, financial condition and results of operations could be adversely affected.

Potential liability for environmental problems could result in substantial costs for us

We are subject to a variety of environmental laws and regulations during the construction and operations of our hot spring resort and tourism property development projects. Violations of environmental laws and conditions may result in project delay and/or substantial non-compliance and other costs and can prohibit or severely restrict project development activity. Our hot spring resort and hotel operations may also be disrupted if we are required to rectify environmental problems through suspending a portion or all of the operations of our hot spring resort.

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In addition, we cannot predict the impact that unforeseeable environmental contingencies or new or changed laws or regulations may have on us or our projects. As required by PRC law, we are required to submit an environmental impact report, analysis or registration form before commencing the construction of any project. Although the environmental investigations conducted to date have not revealed any environmental liability that would be expected to cause a material adverse impact on our business, results of operations or financial condition, it is possible that these investigations did not reveal all environmental liabilities or their extent, and there may be material environmental liabilities of which we are not aware. For further information, please refer to the section headed “Business — Environmental matters” of this prospectus.

We may be affected by the performance of third party construction contractors

We employ third party contractors to carry out the construction of the facilities of our hot spring resort and our tourism property development projects. We cannot assure you that all such third party contractors will provide satisfactory services at the required quality level. If the performance of any third party contractor is unsatisfactory, we may need to replace the third party contractor or take other actions to remedy the situation, which may have a material adverse effect on the cost and construction progress of the facilities of our hot spring resort and/or our tourism property development projects.

In accordance with applicable PRC laws and regulations, we provide warranties on the quality of the tourism properties we sell to our customers. We receive quality warranties from third-party contractors we engage to construct our tourism property development projects. If claims are brought against us under our warranties, and if the relevant third party contractor fails to indemnify us for such claims in a timely manner or at all, we could incur significant expenses to resolve such claims or face delays in rectifying such defects. The occurrence of these events may harm our reputation and have a material adverse effect on our business, results of operations and financial condition.

Furthermore, our third party contractors may undertake projects from other developers, engage in risky undertakings or otherwise encounter financial or other difficulties, which may cause delay in the completion of our projects or increase our project development costs. The occurrence of any of the above events may have a material adverse effect on our reputation, business, results of operations and financial condition.

Natural disasters or other catastrophic events or outbreak of severe contagious diseases in the PRC may severely disrupt our business and operations and may have a material adverse effect on our financial condition and results of operations

Our business operations may be disrupted due to the occurrence of natural disasters or catastrophic events or outbreak of severe contagious diseases that are beyond our control, such as:

- natural disasters, such as hurricanes, fires, earthquakes, tsunamis, tornados and floods and man-made disasters such as explosions, which may deter travelers from scheduling vacations or cause them to cancel travel or vacation plans;
- war, terrorist activities or threats, public security threats and heightened travel security measures instituted in response to these events;

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- outbreaks of pandemic or severe contagious diseases or consumers' concerns relating to potential exposure to contagious diseases; and
- bad weather and even forecasts of bad weather, particularly during weekends, holidays or other peak periods.

We are unable to predict the effect, if any, that any future natural disasters or catastrophic events or outbreak of severe contagious diseases may have on our business. Any future natural disasters or other catastrophic events or outbreak of severe contagious diseases may, among other things, significantly disrupt our ability to maintain our normal operations and services. Furthermore, such events may severely restrict the level of economic activity in affected areas, in particular the volume of tourist traffic to the area in which our hot spring resort operates and the total spending at our hot spring resort, which may in turn materially and adversely affect our business, results of operations and prospects.

The illiquidity of property investments and the lack of alternative uses for investment properties may limit our ability to respond to material adverse changes

As at 30 September 2016, we had investment properties with a total site area of approximately 299,678 sq.m. These properties are held by us to earn rentals and/or for capital appreciation. Real estate investment is by nature largely illiquid and as a result our ability to respond to funding needs as stimulated by changing economic, financial and investment conditions may be limited. We cannot assure you that we will be able to realise our investment properties to improve our liquidity should we have funding needs, nor can we predict whether we will be able to sell any of our investment properties for a price or on the terms commercially acceptable to us under such circumstances. In addition, we cannot assure you that we will have available sufficient funds required to maintain properties, repair defects or make improvements before a property can be sold.

Furthermore, investment properties may become unprofitable due to competition, age, decreased demand, increased supply of properties from competitors or other factors. We cannot assure you that we will have available sufficient funds to convert investment properties to alternative uses as it will generally require substantial capital expenditures. These reasons and any other factors may impede our ability to respond to material adverse changes and may have a material adverse impact on our business, financial condition and results of operations.

We have pledged certain of our properties to secure our borrowings and our inability to repay our debt may result in foreclosure of the pledged properties and other liabilities

We have pledged certain of our properties to secure some of our banking and other facilities and loans granted to us. We did not experience any default on our borrowings secured by pledges over properties during the Track Record Period. If we are unable to repay our debt in a timely manner and the secured lenders choose to initiate foreclosure proceedings against such properties, our operations may be significantly disrupted.

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We may be subject to fines due to our non-compliance incidents during the Track Record Period that may have an adverse impact on our financial condition and results of operations

During the Track Record Period, we had certain non-compliance incidents. These non-compliance incidents (the “**Non-compliance Incidents**”) were related to construction of buildings, licensing with respect to seawater hot spring extraction, leasing of properties with title deficiencies, acceptance and provision of advances to enterprises, issuance of prepaid cards and corporate administration. Please refer to the sub-section headed “Business — Non-compliance” of this prospectus for details of each of these non-compliance incidents.

As advised by our PRC Legal Advisers, the Non-compliance Incidents may attract fines. We estimate that the likely maximum of fines and payments that may be imposed on us by the relevant authorities arising from these Non-compliance Incidents are approximately RMB1.0 million as at the Latest Practicable Date. If we are liable for the maximum fines for each of these Non-compliance Incidents, our financial condition and results of operations may be materially and adversely affected.

RISKS PRIMARILY RELATING TO OUR HOT SPRING RESORT AND HOTEL OPERATIONS

We could be adversely affected by a decline in discretionary consumer spending or consumer confidence

Our hot spring resort and hotel operations depend to a significant extent on discretionary consumer spending, which is heavily influenced by general economic conditions and the availability of discretionary income. An economic downturn in the PRC could have an adverse effect on consumers’ discretionary income and consumer confidence. Difficult economic conditions and recessionary periods may adversely impact attendance figures, the frequency with which guests choose to visit our hot spring resort and guest spending patterns at our hot spring resort. The levels of guest attendance and per capita spending at our hot spring resort are key drivers of revenue and profitability, and reductions in either can materially and adversely affect our hot spring resort and hotel business, results of operations and financial condition.

The hot spring resort and hotel industry is highly competitive and our themed hotel complexes recorded low average occupancy rate during the Track Record Period

The hot spring resort and hotel industry is highly competitive, and the market is fragmented. Accordingly, ongoing completion of new hot spring resorts or other leisure-themed, recreation-themed as well as other tourism-themed hotels will further drive the level of competition in the market. Other factors such as the spending pattern of the local and regional populations as affected by the general PRC economic conditions as well as the availability of transportation network providing access to Jiangmen City and the Pearl River Delta will also influence the level of competition in the market. We consider the hot spring resorts in Jiangmen City and in other cities in Guangdong Province to be our major competitors. The market players in the hot spring resort and hotel industry tend to compete on scale of hot spring complex, reputation, admission ticket price and room rates. Our success will therefore depend on our ability to establish our brand and provide quality facilities and services at competitive rates. Yet our competitors may have better financial resources and may offer more facilities at their premises at similar or more competitive prices compared to the facilities and services offered by us. If these efforts of our competitors are successful, our business and results of operations may be adversely affected.

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During each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016, the aggregate occupancy rate for our four themed hotel complexes in our *Gudou Hot Spring Resort*, namely *Royal Spa Hotel*, *Holiday Lakeview Hotel*, *Hot Spring Villa Hotel* and *Mountain Seaview Hotel* (which commenced operation in February 2016), were approximately 54.5%, 54.6% and 46.8%, respectively. We believe that our relatively low historical occupancy rate (as compared to the average occupancy rates of hotels in China, Guangdong Province and Jiangmen City in 2015, which according to the Crowe Horwath Report was approximately 58%, 62% and 63%, respectively) was mainly attributable to (i) the fact that we participate in the hot spring and hotel industry which is a unique market and can be differentiated from the hotel industry; and (ii) the hot spring and hotel industry is subject to seasonality which generally works to our disadvantage as it typically favours operations in relatively cold weather and we are situated in a city in the southern part of China where the winter time is relatively shorter than its counterparts in the northern part. Please refer to the section headed “Industry overview — The hot spring and hotel industry — Challenges and threats” of this prospectus for further details. If we are not able to generate and implement business plans which can serve to retain existing customers and attract new visitors, our occupancy rate may further decline. Any further decline in occupancy rate may have an adverse effect on the RevPAR for the themed hotel complexes in our *Gudou Hot Spring Resort*, which in turn may have an adverse impact on our business, results of operations and financial condition.

Our reliance on the existing water sources represent a material risk to our business if the mineral content and quality of the hot spring water from such sources are adversely affected due to changes in the surrounding geological environment

We extract freshwater hot springs from the existing thermal heat wells at our *Gudou Hot Spring Resort*. We cannot assure you that the supply of hot spring at such water sources will not be adversely affected by geological and other environmental changes. In the event of climate change in the future, we cannot assure that the average rainfall in the region or extractable volume of our hot spring water will not decrease. Any decrease in the extractable volume of our hot spring water in the future could have a material adverse effect on our business prospects and future results of operations. If the quality or supply of the hot spring water at our water sources deteriorates due to environmental factors or otherwise, we may not be able to continue conducting our business as it is presently conducted and our business prospects would be materially and adversely affected as a result.

Operations in the hot spring and hotel industry is capital intensive. If we are unable to control our liquidity or maintain sufficient capital, our business, financial condition and results of operation may be adversely affected

Some of the key operating costs in the hot spring and hotel industry include labour costs, sales and marketing costs and maintenance costs, which all require substantial amount of capital. As the market players in the hot spring and hotel industry also offer hot spring and possibly other leisure and recreational facilities, the operating costs may go higher than that of a hotel operator.

Importantly, we expect that these costs will continue to increase as a result of (i) inflation; and (ii) further investment in each of these items with a view to further enhancing our business growth. In particular, our success depends in part on our ability to attract, train, motivate and retain a sufficient number of experienced and skilled employees to run our hot spring resort.

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We may enter into the employment market to attract senior practitioners in order to further enhance our business development, which will increase our labour costs. Further development and improvement of our facilities will also increase our maintenance costs.

In light of the expected increase of our operating costs, if we are unable to control our liquidity or maintain our working capital sufficiency, our business operations may be adversely affected, and our business, financial condition and results of operations may be adversely affected.

If our suppliers do not deliver high quality food ingredients to our restaurants at competitive prices or in a timely manner, we may experience supply shortages and increased food costs

Our ability to maintain consistent quality and maintain our menu offerings in our restaurants and catering business depends in part on our ability to acquire fresh food products and beverages and related supplies from reliable sources that meet our quality specifications and in sufficient quantities at competitive prices. A disruption of our food or beverage supplies could occur for a variety of reasons beyond our control such as insufficient quantity, lack of quality or increase in the price of such supplies. This could increase our food and beverage costs and/or cause shortages of food, beverages and other supplies at our restaurants and catering business, which may have a material adverse effect on our business, prospects, results of operations and financial condition.

We face risks related to food contamination and associated liability claims

Our catering income accounted for approximately 11.2%, 10.4% and 18.0%, respectively of our total revenue during the Track Record Period. We face an inherent risk of food contamination and associated liability claims. Our food quality is affected by factors beyond our control, including the quality of the food ingredients and raw materials provided by our suppliers, food contamination caused by third party food suppliers, failure of some of our employees not adhering to our hygiene, cleanliness and other quality control requirements or standards. These factors may adversely affect the quality of the food we offer in our F&B outlets, which could lead to liability claims, complaints and related adverse publicity, reduced visitor traffic at our hot spring resort, penalties being imposed against us by relevant authorities and/or compensation awards by courts.

In addition, new illnesses from food contamination may develop in the future and such illnesses and the resulting negative publicity may materially harm our reputation and have a material adverse effect on our business, prospects, results of operations and financial condition.

RISKS PRIMARILY RELATING TO OUR TOURISM PROPERTY DEVELOPMENT BUSINESS

Our tourism property development business depends on the performance of the real estate market of the PRC

Our tourism property development business and its prospects depend in part on the performance of the real estate market of the PRC, in particular the tourism real estate market. If the property market in the PRC experiences a downturn, it would have a direct adverse effect on us. Such downturn may take place due to a variety of factors beyond our control, such as a general economic downturn, unfavourable government policies, limited availability of financing from PRC financial institutions for the purchasers of our tourism properties or the deterioration of consumers confidence and business sentiment among potential purchasers of our tourism properties.

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From time to time, the PRC government adjusts or introduces control policies to restrict development in real estate sector. Recent measures and policies promulgated by the PRC government provided opinions and guidelines on residential real estate industry, including (i) directing the focus of the land and housing supply to a specific real estate market segment; (ii) the levy of tax in relation to real estate transactions; (iii) the registration matters in relation to the transfer of real estate; (iv) the restriction on mortgage loans; (v) the development progress and scale in real estate development and redevelopment; and (vi) the restriction on provision of loan facilities to property developers. Please refer to the section headed “Regulatory overview — Austerity measures on the PRC residential real estate industry” for details of these measures. These measures may adversely affect market sentiment and dampen purchasers confidence and consequently generate a change of the balance of demand and supply, in turn the property pricing trend will be adversely affected, causing a downturn of the PRC real estate market in general.

Our Group may replicate our business model in developing tourism properties in other cities of the PRC, either in the form of residential or commercial properties. Our Group also plans to explore new tourism property projects in our *Gudou Hot Spring Resort*. If our Group develops residential properties in the future, we shall be restricted by the current measures and policies. In addition, any future promulgated measures and policies with respect to commercial properties may also adversely affect our Group’s commercial property development and sales.

Furthermore, the recent measures promulgated by the PRC government on the residential real estate market appear to target purchases in low-density or large size high-end housing in order to discourage investment and speculation in the housing market, with a view to controlling growth of the PRC residential real estate market. The tourism properties developed or to be developed under our projects are principally categorised as villas, high-rise apartments of commercial nature, low-rise apartments of commercial nature, low-rise studio flats of commercial nature, commercial units and carpark spaces. If we resolve to develop, low-density or large size high-end residential properties in the future, our tourism property development projects shall be restricted by such measures and policies.

The levels of personal disposable income may also affect the demand for our tourism properties. Demand for real estate in the PRC has been driven by the urbanisation of its residential population and the increasing level of per capita disposable income and the development of infrastructure network.

We cannot assure you that the PRC real estate market and property prices will be maintained at past levels or will continue to grow. Any potential decline in the demand for properties, property sales or property prices in the PRC, particularly in the city where we have operations, could have a material adverse effect on our business, results of operations and financial condition.

The results of operations of our tourism property development business may vary significantly from period to period

Revenue from our tourism property development business is primarily derived from tourism property sales. The results of operations of our tourism property development may vary significantly from period to period due to a number of factors, including the completion schedules of our tourism property development projects, the timing of the sale of developed tourism properties, and any fluctuations in expenses such as land costs, land filling costs, construction

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costs or labour costs. The sale of our tourism properties is subject to general market or economic conditions in the area where we conduct our business and the number of prospective purchasers. According to our accounting policy, we recognise revenue upon completion and delivery of our tourism properties to purchasers. Therefore, the periods in which we pre-sell our tourism properties may not generate corresponding revenue if such tourism properties are not delivered within the same period. We will continue to experience significant fluctuations in revenue and profit from period to period in connection with our tourism property development business.

Our LAT provisions may not be sufficient to meet our LAT obligations

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) and the related implementation rules, all entities and individuals that receive income from the sale or transfer of land use rights, buildings and ancillary facilities are subject to the LAT. Please refer to the section headed “Regulatory overview — Tax — LAT” for further details regarding the LAT. We have estimated and made provisions for LAT in accordance with the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities at a later stage of our project development process and may exceed the LAT provisions we have made in respect of a particular project. To the extent that the tax authorities seek to collect the excess amount from us, our cash flow, results of operations and financial condition may be adversely affected.

We may not be able to obtain, extend or renew qualification certificates for our tourism property developments or other business activities

As a pre-condition to engaging in tourism property development in the PRC, it is a mandatory statutory requirement for us to obtain a qualification certificate for property development and to complete the annual inspection of the qualification certificate unless the rules and regulations allow for a longer renewal period. We may not be able to obtain the qualification certificates in a timely manner, or at all, or to renew the certificates before they expire. If we do not possess valid qualification certificates, the governmental authorities may refuse to issue pre-sale permits and other permits necessary for our tourism property development projects or impose a penalty on us for failure to comply with the relevant licensing requirements, which may materially and adversely affect our business, results of operations and financial condition.

Our failure to meet all requirements for issuance of property ownership certificates may render us liable to compensate our customers

Once a tourism property development project has passed the requisite completion inspections, we are required to deliver the completed tourism properties to our purchasers within the timeframe as provided in the formal sale and purchase agreements. If any delay occurs, we may be liable to our purchasers for monetary penalties, which would have an adverse impact on our reputation and business operations.

Under relevant PRC regulations, after the receipt of certificate of completion for relevant buildings in property developments, we are required to submit governmental approvals, including land use rights documents and planning and construction permits, to the local bureau of housing administration to apply for the initial registration procedure of building ownership (房地產初始登記) and obtain the real estate titleship confirmation (商品房屋權屬證明書). After delivery of the properties, we are required to submit relevant property sale and purchase agreements, identification documents of purchasers, proof of payment of relevant tax, and the real estate titleship confirmation, to the property registration department to apply for a building ownership

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certificate to the purchaser. Any delay by administrative authorities in reviewing the relevant applications and granting approvals may affect timely delivery of a building ownership certificate. We may become liable to purchasers for monetary penalties for any late submission of the relevant documents for building ownership title registration purpose. We cannot assure you that such delays will not occur in the future, which may adversely affect our business and reputation.

We face risks related to the pre-sale of tourism properties from any potential limitation and restriction imposed by the PRC government as to such activities and claims from customers in the event the pre-sold tourism properties are not delivered on time or at all

We are permitted under PRC laws and regulations to pre-sell our tourism properties before their completion upon satisfaction of certain requirements. However, we may use pre-sale proceeds only to finance the development project where the pre-sold tourism properties are located. There is no guarantee that the PRC national or local government will not adopt any additional limitation or restriction on, or abolish, the pre-sale practice of properties. Any such measures may materially and adversely affect our cash flow position and require us to seek alternative sources of funding for much of our tourism property development business.

In addition, the pre-sale of our tourism properties carries certain risks. For instance, we may fail to complete a fully or partially pre-sold tourism property development, in which case we will be required to return the deposits to purchasers and will be liable to purchasers for any losses suffered by them. Furthermore, if a pre-sold tourism property is not delivered on time, the purchaser will be entitled to claim for damages.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Our business, financial condition, results of operations and future growth may be adversely affected by changes in the economic, political and social conditions in the PRC

All of our revenues during the Track Record Period were derived from our operations in the PRC. We anticipate that the PRC will remain as our primary market in the foreseeable future. One of our strategies is to expand our operations in the PRC. Accordingly, our business, results of operations, financial condition and prospects are, to a significant extent, subject to the economic development in the PRC. Should there be any adverse change in the economic condition in the PRC, our results of operations, financial condition and growth prospects may be adversely affected.

The PRC economy has experienced significant growth over the past few decades. However, the PRC economy has shown signs of potential slowdown or downturn in recent periods. In addition, the PRC government may from time to time implement measures to control the rate of economic growth in the PRC. As a result, we cannot assure you that the PRC economy will continue to grow at its historical rate, or at all, in the future.

The PRC economy differs from the more economically developed countries in many respects, including structure, government involvement, level of development, economic growth rate, control of foreign exchange, allocation of resources and balance of payment position. As a result of these differences, our business may not develop in the same way as might be expected if the PRC economy were similar to those of the more economically developed countries. The PRC economy has been transitioning from a planned economy to a market-oriented economy. The PRC government has implemented economic reform measures emphasising the utilisation of market forces in the development of the PRC economy but continues to play a significant role in

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regulating industries by imposing industrial policies. We cannot predict whether changes in the political, economic and social conditions and policies in the PRC, or in the relevant laws, rules and regulations, will materialise or be effected or have any adverse effect on our current or future business, results of operations and financial condition.

There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations

As substantially all of our businesses are conducted, and substantially all of our assets are located, in the PRC, our operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes and prior court decisions can only be cited as reference. Since 1979, the PRC government has been developing a comprehensive system of laws, rules and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, because these laws, rules and regulations have not been fully developed, and because of the limited volume of published cases and their non-binding nature, the interpretation and enforcement of these laws, rules and regulations involve some degree of uncertainty with respect to the outcome of any legal action in which we may be involved in the PRC.

Changes in laws, rules, regulations or enforcement policies of the PRC government may have an adverse effect on our business, financial condition and results of operations

The laws, rules and regulations, as well as enforcement policies, of the PRC government, including those regulating our industries and businesses, are evolving and subject to change. Changes in laws, rules, regulations or administrative interpretation, or stricter enforcement policies by the PRC government may impose more stringent requirements on us, including significant fines or other penalties for violations or non-compliance. Changes in applicable laws, rules and regulations may also cause disruption to our operations or increase our operating costs. In addition, compliance with such requirements may impose substantial additional costs or otherwise have an adverse effect on our business, financial condition and results of operations. Furthermore, regulatory agencies in the PRC may periodically, and sometimes abruptly, change their enforcement practices. As a result, prior enforcement activity, or lack of enforcement activity, is not necessarily predictive of future actions. Any enforcement actions against us may harm our results of operations and financial condition. In addition, any litigation or governmental investigation or enforcement proceedings in the PRC may be protracted and may result in substantial costs and diversion of resources and management attention, negative publicity and damage to our reputation.

There are significant uncertainties under the EIT Law relating to our PRC enterprise income tax liabilities

Under the EIT Law and its implementation rules, the profits of a foreign invested enterprise generated from 1 January 2008 and onwards, which are distributed to its immediate holding company outside the PRC and deemed to be a non-PRC resident enterprise which has no establishment or place of business in the PRC, or if established, the relevant dividends are in fact not associated with such establishment or place of business in the PRC, are subject to a withholding tax at a rate of 10%. Pursuant to a special arrangement between Hong Kong and the PRC, such rate will be lowered to 5% if the holding company is a Hong Kong resident enterprise which owns over 25% of the equity interests of the PRC company. Pursuant to the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax

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Agreements (《非居民納稅人享受稅收協定待遇管理辦法》) issued by the State Administration of Taxation on 27 August 2015, effective from 1 November 2015, a non-PRC resident enterprise which considers itself qualified for and entitled to the treatment under taxation treaties shall indicate the same and provide the relevant statements and materials to the withholding agent. Where the non-PRC resident enterprise provides all the required materials to the withholding agent and the conditions for enjoying the treatment under the taxation treaty are met based on the information in the relevant statements, the withholding agent shall withhold tax in accordance with the treaty and the competent tax authority will subsequently administer the non-PRC resident enterprise enjoying the treatment under the treaty. However, according to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaty Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) issued by the State Administration of Taxation in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, PRC tax authorities have the discretion to adjust the tax rate enjoyed by the relevant offshore entity. We cannot assure you that the PRC tax authorities will determine that the 5% tax rate applies to dividends received by our subsidiary in Hong Kong from our PRC subsidiaries, nor that the PRC tax authorities will not levy a higher withholding tax rate on such dividends in the future.

Under the EIT Law, we may be classified as a “resident enterprise” of the PRC. Such classification could result in unfavourable tax consequences to us and our non-PRC shareholders

Under the EIT Law, an enterprise established outside the PRC in accordance with foreign laws (“foreign enterprise”) with “de facto management bodies” within the PRC is considered as a “resident enterprise”, meaning that it can be treated in a manner similar to a PRC enterprise for EIT purposes. The implementation rules of the EIT Law define “de facto management” as “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. In April 2009, the State Administration of Taxation promulgated the Notice of the State Administration of Taxation on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (“SAT Circular 82”), to clarify the certain criteria for the determination of the “de facto management bodies” for foreign enterprises controlled by PRC enterprises. In addition to SAT Circular 82, the State Administration of Taxation issued the Administrative Measures on Enterprise Income Tax for Chinese-Controlled Resident Enterprises Registered Abroad For Trial Implementation (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), which took effect in September 2011 and last revised in June 2016, to provide more guidance on the implementation of SAT Circular 82 and clarify the reporting and filing obligations of such Chinese-controlled offshore incorporated resident enterprises. However, there have been no official implementation rules regarding the determination of the “de facto management bodies” for a foreign enterprise which is not controlled by a PRC enterprise (including companies like ourselves).

If the PRC tax authorities determine that our Company is a “resident enterprise” for PRC EIT purposes, we may be subject to EIT at a rate of 25% on our worldwide taxable income, and be obligated to withhold PRC EIT on the dividends we pay to our Shareholders who are non-PRC resident enterprises. The withholding income tax rate is 10%, unless otherwise provided under applicable double taxation treaties between the PRC and the government of the relevant foreign tax jurisdiction where a Shareholder resides. In addition, if we are deemed to be a PRC resident enterprise for tax purposes under the EIT Law, we are subject to EIT for our incomes derived from both within and outside the PRC.

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Payment of dividends by our Group is subject to restrictions under the applicable PRC law

Our Group operates our principal business through our subsidiaries in the PRC and therefore the availability of funds to pay dividends to our Shareholders and to serve our indebtedness depends upon dividends received from these subsidiaries. If our Group incurs any debts or losses, such indebtedness or loss may impair our ability to distribute dividends. As a result, our ability to pay dividends and to repay our Group's indebtedness will be restricted.

In addition, the PRC laws require dividends to be paid out of the net profit calculated according to PRC accounting principles and any PRC company must make contributions to a statutory reserve fund at a rate of 10% of the after tax profits until the cumulative amount of such reserve reaches 50% of their registered capital. These statutory reserves are not available for distribution as cash dividends. Before making up the losses (if any) of previous years and allocating to the statutory reserve fund, any PRC company is prohibited from distributing dividends. Such restrictions may impact our ability to pay dividends to our Shareholders.

Our financial condition, results of operations and ability to remit dividend are and will continue to be subject to future movements in foreign exchange rates and the PRC's control of currency conversion

RMB cannot be freely converted into any other foreign currencies, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. We cannot assure you that we would have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to Shareholders or satisfy other foreign exchange requirements. If we are unable to obtain the relevant approvals, our capital expenditure plans and, consequently, our ability to grow our business, could be adversely affected. Moreover, changes in PRC foreign exchange regulations may materially and adversely affect our ability to transfer funds to, and receive dividends from, our PRC subsidiaries.

The exchange rates of RMB against foreign currencies are affected by, among others, changes in the PRC's political and economic conditions. To the extent that we need to convert Hong Kong dollars that we will receive from the Placing into RMB for our operations, appreciation of RMB against the Hong Kong dollar would reduce the RMB amount that we would receive from the conversion. Conversely, if we decide to convert our RMB into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against RMB would reduce the Hong Kong dollar amount available to us.

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PRC regulations on direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the net proceeds from the Placing to make additional contributions or loans to our PRC subsidiaries

Any capital contributions or loans that we, as a company incorporated in the Cayman Islands, make to our PRC subsidiaries, including from the net proceeds of the Placing, are subject to PRC regulations. For example, any of our loans to our PRC subsidiaries as foreign-investment enterprises cannot exceed the difference between the total amount of investment that our PRC subsidiaries are approved to make under the relevant PRC laws and the registered capital of the relevant PRC subsidiary, and any such loans must be registered with the local branch of SAFE. In addition, our additional capital contributions to our PRC subsidiaries must be approved or filled by the Commerce Authority. We cannot assure you that we will be able to obtain these registrations or approvals or filing on a timely basis, or at all. If we fail to obtain such registrations or approvals or filing, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund our operations may be materially and adversely affected, which could in turn affect our PRC subsidiaries' liquidity and our ability to fund our working capital and expansion projects and meet our obligations and commitments and in turn may materially and adversely impact our business, results of operations and financial condition.

It may be difficult to effect service of process upon some of our Directors who live in the PRC or to enforce against them in the PRC any judgments obtained from non-PRC courts

Most of our assets and our principal business operations are in the PRC. Certain Directors and most of the members of our senior management team are residing in the PRC with no permanent addresses outside the PRC. Therefore, it may not be possible for investors to effect service of process upon such persons in the PRC or to enforce against our Company or such persons in the PRC any judgments obtained from non-PRC courts.

Moreover, the PRC does not have treaties or arrangements providing for the reciprocal recognition and enforcement of judgments awarded by courts in the Cayman Islands, the BVI and most other jurisdictions. Therefore, recognition and enforcement in the PRC of judgments obtained in such jurisdictions may be difficult or impossible. On 14 July 2006, the PRC and Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》). However, investors are reminded that only an enforceable final judgment requiring payment of money arising out of a civil or commercial contract with an exclusive and written jurisdiction clause and granted by Hong Kong courts may be recognised by the PRC courts, subject to the requirements and restrictions set out in the arrangement.

Furthermore, an original action may be brought in the PRC against us or our Directors or officers only if the actions are not required to be arbitrated by the PRC law and upon satisfaction of the conditions for institution of a cause of action pursuant to the PRC Civil Procedure Law (《中華人民共和國民事訴訟法》). As a result of the conditions set forth in the PRC Civil Procedure Law, and the discretion of the PRC courts to determine whether the conditions are satisfied and whether to accept the action for adjudication, there remains uncertainty on whether an investor will be able to bring an original action in the PRC in this fashion.

RISK FACTORS

RISKS RELATING TO THE PLACING

The Placing is not underwritten

The Placing is managed by the Joint Bookrunners on a best effort basis but is not underwritten. Therefore, there is no guarantee that the Placing will proceed as scheduled. Should the aggregate amount of gross proceeds of the Placing raised by our Company and the Selling Shareholder be less than HK\$156 million (equal to 260,000,000 Placing Shares, comprising 230,000,000 new Shares initially being offered by our Company for subscription and 30,000,000 Sale Shares offered by our Selling Shareholder for sale, times the lowest Placing Price of HK\$0.60 per Placing Share) (or such amount as agreed between our Company and the Joint Bookrunners), the Placing will not proceed.

There has been no prior public market for our shares and an active trading market for our Shares may not develop

There has been no public market for our Shares before the Placing. We have applied to the Stock Exchange for the listing of, and permission to deal in, our Shares. However, there is no assurance that the Listing will result an active and liquid public trading market for our Shares following the Placing or in the future. The failure of developing or sustaining such market could have a material adverse effect on the market and liquidity of our Shares.

The Placing Price for our Shares will be the result of negotiations between the Joint Bookrunners and us (for ourselves and on behalf of the Selling Shareholder) and may differ from the market prices for our Shares after the Listing. Our Shares may trade in the public market below the Placing Price following the Placing. An investor who purchases Shares in the Placing may not be able to resell such Shares at or above the Placing Price and, as a result, may lose all or part of the investment in such Shares.

The liquidity, trading volume and trading price of our Shares may be volatile, which could result in substantial losses to our Shareholders

Immediately following the Placing, the liquidity, trading volume and trading price of our Shares will be determined by the marketplace and may be volatile and may be influenced by many factors, some of which are beyond our control, including:

- fluctuations in our interim or annual results of operations;
- changes in financial performance estimates by securities analysts;
- investor perceptions of us and the investment environment;
- changes in policies and developments relating to the hot spring and hotel industry and tourism property development industry;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- changes in pricing policies adopted by us or our competitors;

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- depth and liquidity of the market for our Shares;
- demand for and supply of our Shares;
- general economic factors; and
- other factors, such as those described in the other risk factors set forth in this prospectus.

Moreover, stock markets and shares of listed companies in general have experienced increased price and volume fluctuations in recent years. These broad market and industry fluctuations may adversely affect the market price of our Shares regardless of our operating performance or prospects.

Future sales of our Shares or other securities relating to our Shares could impact the prevailing market price of our Placing Shares and our ability to raise capital in the future, and may result in dilution of your shareholdings

Future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market or the issuance of new Shares or other securities relating to the Shares, or the perception that such sales or issuances may occur could result in a decline of the market price of our Shares. Moreover, such future sales, or perceived sales, of substantial amounts of the Shares or other securities relating to the Shares could adversely affect our ability to raise capital in the future at a time and price which we deem appropriate. Shareholders may experience dilution in their holdings to the extent that we issue additional securities in future offerings.

Shareholders will incur immediate and substantial dilution and may experience further dilution if we issue additional Shares in the future

In order to expand our business, we may consider offering and issuing additional Shares or equity-linked securities in the future. The Shareholders may experience further dilution in the net tangible book value per Share which they hold if we issue additional Shares or equity-linked securities in the future. We currently do not have any definitive plan for any offering of additional Shares or equity-linked securities, particularly in relation to the timing or size of such offering, and such offering may or may not happen.

We have adopted the Share Option Scheme, under which options may be granted after the Listing. Issuance of Shares pursuant to the exercise of the options to be granted under the Share Option Scheme will result in an increase in the number of Shares in issue after the issuance and thereby will cause dilution to the percentage of ownership of the existing Shareholders, the earnings per Share and net asset value per Share. Under the IFRSs, the fair value of services received as determined by reference to the fair value of share options granted to employees of our Group is recognised as an employee costs with a corresponding increase in equity. The fair value is measured at grant date.

Subject to the accounting practices then prevailing and applicable to us at the time of grants, any future grants of share options to our employees under the Share Option Scheme may also be recognised as our staff costs, and may thereby have adverse effect on our profitability in the financial years during the applicable vesting period of these share options.

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Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of our other Shareholders

Immediately following the Placing and the Capitalisation Issue, our Controlling Shareholders will beneficially own approximately 54.34% of our Shares, or approximately 52.26% of our Shares if the Over-allotment Option is exercised in full. As a result, by virtue of their controlling ownership of our share capital, our Controlling Shareholders will be able to exert significant influence over our business and other matters of significance to us and other Shareholders by voting at the general meetings of Shareholders, such as election of Directors, dividend payments and other distributions, acquisition of or merger with another entity, and alteration to our capital, and amendments to our Articles.

There can be no assurance on the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry consultant report, contained in this prospectus

Certain facts, forecasts and other statistics relating to the PRC and the hot spring resort market as well as the tourism-related property development market in the PRC contained in this prospectus have been derived from various government publications, market data providers and other independent third party sources, including Crowe Horwath, and generally are believed to be reliable. However, we cannot guarantee the accuracy and completeness of such information. These facts, forecasts and other statistics have not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, their respective directors and advisors or any other parties involved in the Placing and none of them makes any representation as to the accuracy or completeness of such information. Furthermore, such facts, forecasts and other statistics may not be prepared on a comparable basis or may not be consistent with other information compiled within or outside the PRC. For these reasons, you should not place undue reliance on such information as a basis for making your investment in our Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS TO THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (subsidiary legislation of Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, there are no other facts the omission of which would make any statement in this prospectus misleading and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are formed on bases and assumptions that are fair and reasonable.

The Placing Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Placing or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Selling Shareholder, our Company or their respective directors, agents, employees or advisers or any other parties involved in the Placing.

THE PLACING IS NOT UNDERWRITTEN

This prospectus is published solely in connection with the Placing. The Placing comprises the offer of initially 230,000,000 new Shares for subscription by our Company and 30,000,000 Sale Shares for sale by the Selling Shareholder.

The Listing is sponsored by the Sole Sponsor. The Placing is subject to, among other things, the Placing Price being fixed pursuant to a price determination agreement to be entered into between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners. **The Placing is managed by the Joint Bookrunners on a best effort basis and is not underwritten.** Particulars of the placing arrangements are set forth in the section headed "Structure and condition of the Placing" of this prospectus. **Should the aggregate amount of gross proceeds of the Placing raised by our Company and the Selling Shareholder be less than HK\$156 million (equal to 260,000,000 Placing Shares, comprising 230,000,000 new Shares initially being offered by our Company for subscription and 30,000,000 Sale Shares offered by our Selling Shareholder for sale, times the lowest Placing Price of HK\$0.60 per Placing Share) (or such amount as agreed between our Company and the Joint Bookrunners), the Placing will not proceed.**

DETERMINATION OF THE PLACING PRICE

The Placing Shares are being offered at the Placing Price which will be determined by the Joint Bookrunners and us (for ourselves and on behalf of the Selling Shareholder) on or around Monday, 5 December 2016 and in any event not later than Wednesday, 7 December 2016, or such other date as agreed between the parties.

If the Joint Bookrunners and us (for ourselves and on behalf of the Selling Shareholder) are unable to reach an agreement on the Placing Price on or before Wednesday, 7 December 2016, or such later date or time as may be agreed between the Joint Bookrunners and us, the Placing will not become unconditional and will lapse.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

RESTRICTIONS ON OFFER AND SALE OF PLACING SHARES

No action has been taken to permit any offering of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation nor is it circulated to invite or solicit offers in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or an authorisation by the relevant regulatory authorities or an exemption therefrom.

Prospective applicants for the Placing Shares should consult their financial advisers and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Placing Shares should also inform themselves as to the relevant requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

Each person acquiring the Placing Shares under the Placing will be required to, or be deemed by his/her/its acquisition for the Placing Shares to, confirm that he/she/it is aware of the restrictions on offers of the Placing Shares described in this prospectus and he/she/it is not acquiring, and has not been offered, any Placing Shares in circumstances that contravene any such restrictions.

SELLING SHAREHOLDER

The Placing initially consists of 260,000,000 Shares, of which 30,000,000 Sale Shares are being sold by the Selling Shareholder. We estimate that the net proceeds to the Selling Shareholder from the Sale Shares (after deduction of proportional placing fees payable by our Selling Shareholder in relation to the Placing, and assuming a Placing Price of HK\$0.60 per Placing Share, being the low-end of the indicative Offer Price range) will be approximately HK\$17.5 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares. Please refer to the section headed “Statutory and general information — D. Other information — 12. Particulars of the Selling Shareholder” in Appendix IV to this prospectus for details of the Selling Shareholder.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Placing (including the additional Placing Shares which may be issued pursuant to the exercise of the Over-allotment Option), the Capitalisation Issue and upon exercise of any option which may be granted under the Share Option Scheme. Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. A total of 260,000,000 Placing Shares representing 26.53% of the enlarged issued share capital of our Company will be in the hands of the public immediately following completion of the Placing, and upon Listing (without taking into account of any new Shares which may be allotted and issued pursuant to the exercise of options may be granted under the Share Option Scheme).

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange. As at the Latest Practicable Date, our Company was not seeking or proposing to seek a listing of, or permission to deal in, any part of its Shares or loan capital on any other stock exchange other than the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allocation made in respect of any application will be invalid if permission for listing of, or dealing in, the Placing Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the Placing, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Placing Shares issued pursuant to the Placing will be registered on our Company's branch register of members to be maintained by our Hong Kong branch share registrar, Tricor Investor Services Limited, in Hong Kong. Our Company's principal register of members will be maintained by our Company's principal share registrar, Estera Trust (Cayman) Limited, in the Cayman Islands.

Dealings in Placing Shares registered in the branch register of members of our Company maintained in Hong Kong will be subject to Hong Kong stamp duty.

Unless otherwise determined by our Company, dividends payable in HK dollars in respect of Shares will be paid to the shareholders listed on the Hong Kong branch register of members of our Company, by ordinary post, at the shareholders' risk, to the registered address of each Shareholder.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Placing are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing or holding of and dealing in the Placing Shares. None of our Company, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of their respective directors, agents, employees or advisers or any other person or party involved in the Placing accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase or holding of, or dealing in the Placing Shares.

STABILISATION AND OVER-ALLOTMENT OPTION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out under the section headed "Placing" of this prospectus.

STRUCTURE OF THE PLACING

Details of the structure of the Placing, including its conditions, are set out in the section headed "Structure and conditions of the Placing" of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second trading date after the trade date. If you are not sure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisers.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

CURRENCY TRANSLATIONS

Unless the context requires otherwise, amounts denominated in Renminbi have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following rates:

HK\$1.00 = RMB0.83

HK\$7.76 = US\$1.00

No representation is made that any amount in Renminbi, US dollars or Hong Kong dollars could have been or could be converted at the above rate or at any other rate or at all.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. As a result, any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding. Where information is presented in thousands or millions of units, amounts may have been rounded up or down.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Hon Chi Ming (韓志明) (formerly known as 韓明 and Han Ming)	Flat D, 8th Floor, Block 15 Costa Del Sol, Laguna Verde Hung Hom Kowloon Hong Kong	Chinese
Mr. Huang Zhanxiong (黃展雄)	502, No. 6, Shuinanjulongli Jiangmen City Guangdong Province The PRC	Chinese
Ms. Zhen Yaman (甄雅曼)	Room 401, 48 Huali Road Tianhe District, Guangzhou City Guangdong Province The PRC	Chinese
<i>Non-executive Directors</i>		
Mr. Hon Ka Fung (韓家峰)	Flat D, 8th Floor, Block 15 Costa Del Sol, Laguna Verde Hung Hom Kowloon Hong Kong	Chinese
Mr. Hui Chin Tong Godfrey (許展堂)	House 10 Sliverstrand Lodge 6 Silver Cape Road Clear Water Bay New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Wu Sai Him (胡世謙)	10th Floor, Apartment 12 Celestial Heights 80 Sheung Shing Street Kowloon Hong Kong	Chinese
Mr. Chiu Chi Wing (趙志榮)	Flat 1309, Wah Hei House Tung Hei Court 38 Yiu Hing Road Hong Kong	Chinese
Prof. Wang Dawu (王大悟)	Room 1604, No. 2, 158 Lane Xietu East Road Shanghai City The PRC	Chinese

Please refer to the section headed “Directors, senior management and employees” of this prospectus for further details of our Directors.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

PARTIES INVOLVED IN THE PLACING

Sole Sponsor

Celestial Capital Limited
21st Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Joint Bookrunners and Joint Lead Managers

Ping An Securities Limited
Unit 02, 2nd Floor
China Merchants Building
152-155 Connaught Road Central
Hong Kong

Zhaobangji International Capital Limited
Units 1 & 17, 19th Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Legal advisers to our Company

as to Hong Kong law (other than matters relating to Pre-IPO Investments):

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

as to Hong Kong law (in relation to Pre-IPO Investments):

Stevenson, Wong & Co.
4th Floor
Central Tower
28 Queen's Road
Central
Hong Kong

as to Cayman Islands law:

Appleby
Suites 2206-19, 22nd Floor
Jardine House
1 Connaught Place
Central
Hong Kong

as to PRC law:

GFE Law Office
18th Floor
Guangdong Holdings Tower
No. 555, Dongfeng East Road
Guangzhou
The PRC

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Legal advisers to the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers

as to Hong Kong law:

MinterEllison
Level 25
One Pacific Place
88 Queensway
Hong Kong

as to PRC law:

Beijing Dentons Law Offices, LLP
7th Floor, Building D
No. 9, Dongdaqiao Road
Chaoyang District
Beijing
The PRC

Reporting accountant

PricewaterhouseCoopers
22nd Floor
Prince's Building
Central
Hong Kong

Property valuer

LCH (Asia-Pacific) Surveyors Limited
17th Floor
Champion Building
287-291 Des Voeux Road Central
Hong Kong

Industry consultant

Crowe Horwath (HK) Consulting & Valuation Limited
9th Floor
Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

Selling Shareholder

Harvest Talent Investments Limited
P.O. Box 957
Offshore Incorporations Centre
Road Town
Tortola
British Virgin Islands

CORPORATE INFORMATION

Registered office	Clifton House, 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in the PRC	Gudou Hot Spring Resort Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC
Principal place of business in Hong Kong	Unit 1103A, 11th Floor COSCO Tower Grand Millennium Plaza 183 Queen's Road Central 33 Wing Lok Street Hong Kong
Company website	www.gudouholdings.com <i>(Note: contents of this website do not form part of this prospectus)</i>
Company secretary	Ms. Chan Sin Ling <i>CPA</i> Flat A, 10th Floor Chai Kung Mansion 2 Tai Yue Avenue Taikoo Shing Hong Kong
Authorised representatives	Mr. Hon Chi Ming Flat D, 8th Floor, Block 15 Costa Del Sol, Laguna Verde Hung Hom Kowloon Hong Kong Ms. Chan Sin Ling Flat A, 10th Floor Chai Kung Mansion 2 Tai Yue Avenue Taikoo Shing Hong Kong
Compliance officer	Ms. Zhen Yaman Room 401, 48 Huali Road Tianhe District, Guangzhou City Guangdong Province The PRC

CORPORATE INFORMATION

Audit committee	Mr. Chiu Chi Wing (<i>Chairman</i>) Mr. Wu Sai Him Prof. Wang Dawu
Remuneration committee	Mr. Wu Sai Him (<i>Chairman</i>) Mr. Chiu Chi Wing Prof. Wang Dawu
Nomination committee	Mr. Wu Sai Him (<i>Chairman</i>) Mr. Chiu Chi Wing Prof. Wang Dawu
Compliance committee	Ms. Zhen Yaman (<i>Chairlady</i>) Mr. Huang Zhanxiong Ms. Chan Sin Ling Mr. Li Yanan
Principal share registrar and transfer office	Estera Trust (Cayman) Limited Clifton House, 75 Fort Street P.O.Box 1350, Grand Cayman KY1-1108, Cayman Islands
Hong Kong branch share registrar	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Compliance adviser	Celestial Capital Limited 21st Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Principal bankers	Xinhui Rural Commercial Bank Limited Yamen Sub-branch No. 15, Yingbin South Road Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC Industrial and Commercial Bank of China Limited Jiangmen Branch No. 93, Harbour Road Jiangmen City Guangdong Province The PRC

INDUSTRY OVERVIEW

*The information and statistics set out in this section and other sections of this prospectus were extracted from different official government publications, available sources from public market research and other sources from independent suppliers. In addition, we engaged Crowe Horwath, an independent industry consultant, for preparing an independent research report dated 30 November 2016 (the “**Crowe Horwath Report**”).*

We believe that the sources of such information and statistics are appropriate and we have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading in any material respect or that any part of the information has been omitted rendering such information false or misleading.

The information and statistics have not been independently verified by our Company, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any other persons involved in the Placing or their respective directors, advisers and affiliates. Therefore, our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any other persons involved in the Placing or their respective directors, advisers or affiliates make no representation as to the correctness or accuracy in respect of the information and statistics set out in this prospectus. The reliability of the Crowe Horwath Report may be affected by the accuracy of the relevant assumptions and factors considered by Crowe Horwath for the market forecasts, industry trends and the future development of the hot spring and hotel industry and tourism real estate industry in the PRC, Guangdong Province and Jiangmen City. The information set out in this section should not be unduly relied upon as the information and statistics may be inaccurate, incomplete, out-dated or inconsistent with the other information prepared inside or outside the PRC.

SOURCE OF INFORMATION

We commissioned Crowe Horwath, an independent Hong Kong industry consultant, to conduct a market analysis of and to provide a research report on, among other things, the hot spring and hotel industry and the tourism real estate industry in the PRC, Guangdong Province and Jiangmen City for the period from 2011 to 2020. Crowe Horwath provides independent and objective audit, tax, industry research and advisory services. Certain information set forth in this section has been extracted from the Crowe Horwath Report. The Crowe Horwath Report is independent from our influence. Crowe Horwath received a total commission of HK\$720,000 for the research and preparation of the Crowe Horwath Report. The payment of such amount was not conditional on our successful Listing or on the research findings of the Crowe Horwath Report.

The Crowe Horwath Report was prepared based on a top-down approach, used both primary and secondary research, and attempted to cross check each significant finding with multiple sources. Their primary research included site visits, management interviews and consultation with industry experts to verify information from third party sources and data collection and cleansing. Their secondary research included Internet research and articles, publications and knowledge base search. Any projections in the Crowe Horwath Report were done utilising a mix of both qualitative and quantitative analysis. Whenever applicable, a set of historical data is used as a basis for its projections, and if necessary, adjustments are subsequently made for projection purposes and to ensure data relevancy.

INDUSTRY OVERVIEW

The following assumptions are used in the Crowe Horwath Report:

- There will not be substantial incidents such as political or administrative developments causing the economic condition to differ significantly from the forecasts, or adversely affect the business activities, tourist arrivals and domestic travel.
- The existing transportation systems to and from Jiangmen City will be maintained and meet the accessibility requirements of visitors.
- The economies of the PRC, Guangdong Province and Jiangmen City will not experience significant and substantial recession in near future.

Except as otherwise noted, all the data and forecasts in this section are derived from the Crowe Horwath Report. Our Directors, after reasonable consideration, confirm that they were not aware of any adverse change to the market information since the date of the Crowe Horwath Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW

We are a hot spring resort and hotel operator and a tourism property developer in the PRC. We (i) operate and manage the resort and hotel facilities of *Gudou Hot Spring Resort*; and (ii) develop and sell tourism properties located at our *Gudou Hot Spring Resort*. We are therefore a market participant in (i) the hot spring and hotel industry; and (ii) the tourism real estate industry.

THE HOT SPRING AND HOTEL INDUSTRY

Overview

Hot springs, also called thermal springs, are generally defined as springs of natural spring water produced by the geothermally-heated groundwater from the Earth's crust. According to the annual report on China Hot Spring Tourism Industry (2014) (中國溫泉旅遊產業發展報告(2014)) as prepared by China Hot Spring Tourism Association (中國旅遊協會溫泉旅遊分會), as at the end of 2013, there were more than 3,000 hot spring sources discovered in China.

Hot spring tourism in China evolved progressively from a singular business model that typically included provision of hot spring facilities in the 1980s and 1990s, to a plural model which combined hot spring resources and hospitality services at the turn of the century to form the basis of the hot spring and hotel industry. In the mid 2000s, the plural model was further developed into a trio model under which recreational facilities became integrated into the site of hot spring and hotel facilities, driving the beginning of the hot spring resort era. An integrated model that consisted of hot spring, hotel and recreational facilities as well as real estate and investment properties development emerged from late 2000s. Since 2014, the trend of hot spring tourism began to lean towards an integrated model with particular themes, such as a health-oriented hot spring resort, which may be seen by many as an enhancement of the integrated model and is expected to be the most desired feature under hot spring tourism in the next decade.

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Given the foregoing, under the hot spring and hotel industry in China, the most common “formula” seen in the development of a hot spring resort in recent years typically include hot spring and hotel facilities plus any one or more of the following amenities: (i) business conference; (ii) sports/recreational activities; (iii) rehabilitation/nursing services; (iv) tourism real estate; and (v) ecological farms/tours.

Accordingly, the revenue stream of hot spring resorts in China typically include accommodation services, F&B services, hot spring pools admission, other recreational facilities admission and in the case of an integrated model or themed integrated model, property development and sales.

Courtesy of the offering of hot spring experience, the hot spring and hotel industry is additionally subject to seasonality on top of the factors that generally have an impact on the typical hotel market. Winter is usually the peak season for hot spring tourism. Thus, in Guangdong Province, October to February of the following year generally represents the peak season. According to the Guizhou Institute of Industrial Development (貴州產業技術發展研究院), in general the number of hot spring tourist visits in the peak season could almost be double the figure in the low season as a result of seasonality. This is also the reason why the hot spring and hotel industry developed initially into a trio model and subsequently into an integrated model, with a tendency to further develop into a themed integrated model.

Key demand drivers

A hot spring resort under the hot spring and hotel industry generally relies primarily upon the operation of its (i) hot spring; and (ii) hotel and ancillary amenities.

Results of hot spring operations depend on attendance and admission ticket price. According to the Crowe Horwath Report, the main demand driver for attendance of the hot spring industry is the increasing disposable income that leads to an increased demand for leisure travel and ancillary tourism services. In the 21st century when the living standard of citizens in China has largely improved, the essence of tourism has gradually shifted from traditional sight-seeing towards health-oriented and recreational holidays when seeking a travel destination. Hot spring tourism fits people’s desire and expectations on such integration of health and relaxation for holiday travel enjoyment.

Additionally, continuous improvements and expansions on the transportation network across China¹ further enhances travel convenience and accessibility to destinations in peripheral cities which augurs well for the promotion of hot spring locations.

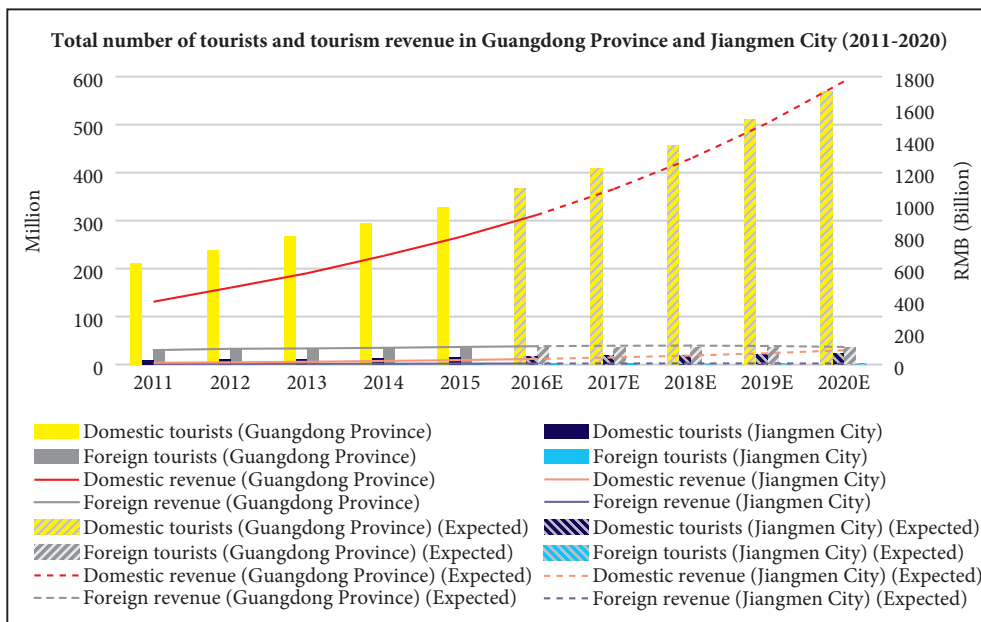
Demand for hotel rooms is primarily driven by the rise of the tourism industry, which in turn is affected by the increasing disposable income that leads to an increased demand for leisure travel and ancillary services. According to the National Bureau of Statistics of the PRC (中華人民共和國國家統計局), the disposable income (urban population) per capita in China increased

¹ According to the “Twelfth — Five Year Plan” and the “Thirteenth — Five Year Plan” announced in 2011 and 2016 by the PRC government respectively, the importance of transportation to the development of China in the coming years has been emphasised. It is expected that as at 2020, the operational distance of the local railway system shall increase to as much as 120,000 k.m., of which 45,000 k.m. shall comprise high-speed railways.

INDUSTRY OVERVIEW

from RMB21,810 in 2011 to an all-time record high of RMB31,195 in 2015, while the average spending per capita for domestic travels in China increased from approximately RMB731 per capita in 2011 to approximately RMB857 per capita in 2015. According to the Crowe Horwath Report, it is expected that the disposable income (urban population) per capita in China will continue to increase during the period from 2016 to 2020, reaching RMB42,079 in 2020.

The following charts demonstrate the historical and expected number of tourists and amount of tourism revenue in China, Guangdong Province and Jiangmen City for the years indicated, which reflects the increase in demand for travelling amongst the Chinese population and indicates the future opportunities for domestic tourism in Guangdong Province and Jiangmen City:



Source: National Bureau of Statistics of the PRC; China National Tourism Administration; Jiangmen Statistical Yearbooks (2011-2016), PRC; Crowe Horwath

INDUSTRY OVERVIEW

Corporate demand, as well as demand for meetings, incentives, conferencing, and exhibitions, also represent the key components that affect the demand for hotels. The increase in corporate demand (generally attributable to economic growth) and the increasing trend of business tours and conferences (generally attributable to the continuing development of China's tertiary industry which includes accommodations and catering²) together will drive the increase in demand for hotel.

According to the Crowe Horwath Report, revenue received by the overall hotel industry in China underwent a steady growth from 2011 to 2015 at a CAGR of 2.8%, reaching RMB364 billion in 2015. During 2011 to 2015, with respect to the hotel industry in China, revenue from hotel rooms constantly was the major revenue component, accounting for approximately 46% to 49% of the total industry revenue, followed by F&B services which accounted for approximately 37% to 42% of the total industry revenue each year. Likewise, the hotel industry in Guangdong Province had a similar pattern in 2015, with revenue from hotel rooms being the major revenue component of the total industry revenue followed by F&B services. On the other hand, with respect to Jiangmen City, revenue from F&B services was the major revenue component during the period from 2011 to 2015, accounting for approximately 43% to 49% of the total industry revenue, followed by hotel rooms which accounted for approximately 29% to 36% of the total industry revenue each year. It is expected that, in terms of the market in Jiangmen City, revenue from hotel rooms will continue to enlarge its share of the total revenue of the industry on a yearly basis during the period from 2016 to 2020, contemporaneously eclipsing revenue from F&B services progressively to represent approximately 37% of the total revenue of the industry in 2020. According to the Crowe Horwath Report, the total revenue from hotel rooms experienced an overall increase since 2011, and in 2015, the total revenue from hotel rooms in Guangdong Province amounted to approximately RMB29.9 billion, contributed by 16,440 hotels, while the same item in Jiangmen City amounted to approximately RMB492 million, contributed by 889 hotels. It is expected that such revenue will continue to grow steadily in the coming five years at 2% per annum.

Notwithstanding that historically hotel rooms came second to F&B services in terms of revenue share in Jiangmen City, and despite the increasing supply of hotel rooms in Jiangmen City from 2011 to 2015 (with the number of hotel rooms reached 44,851 in 2015), the average occupancy rate of hotel rooms in Jiangmen City remained steady at approximately 63%. According to the Crowe Horwath Report, average occupancy rate of hotels in China, Guangdong Province and Jiangmen City in 2015 was approximately 58%, 62% and 63%, respectively. It is expected that the average occupancy rate of hotel rooms in Jiangmen City will experience growth in the coming few years, reaching 65% in 2020.

Accordingly, with the PRC government's emphasis on tourism and the expected increase of number of domestic tourists in Guangdong Province and in Jiangmen City, coupled with the fact that Jiangmen City will become even more accessible after 2016 as a result of further development of railway and main roads around the Pearl River Delta region in China in the coming years, it is expected that the tourism industry in Jiangmen City will be a beneficiary and demand for hotel

² According to the official website of the National Bureau of Statistics of China, the primary industry in China refers to agriculture, forestry, animal husbandry and fishery industries; the secondary industry refers to mining and quarrying, manufacturing, production and supply of electricity, water and gas, and construction; and the tertiary industry refers to all other economic activities not included in the primary and secondary industries, including logistics, storage & postal services, wholesales and retails, accommodations and catering, finance, real estate etc. According to the National Economic and Social Development Statistics Bulletin of China, from 2011 to 2015, the share of the tertiary industry of China's GDP increased from 43.1% in 2011 to 50.5% in 2015.

INDUSTRY OVERVIEW

rooms in Jiangmen City will continue to increase. In view of the foregoing synopsis in relation to both hot spring operation and hotel operation, looking ahead, it is believed that themed hot spring resorts shall be the most prevalent and desired upcoming development trend, especially so under the gradually ageing population in China in general.

Entry barriers

The hot spring and hotel industry has a high entry barrier as it is an industry with relatively high capital requirements and it takes a relatively long time before investment return can be realised. More importantly, the development of hot spring tourism is, according to the annual report on China Hot Spring Tourism Industry (2014) (中國溫泉旅遊產業發展報告(2014)), expanding in terms of the amount of capital invested into developing (i) the facilities and infrastructure for hot spring, accommodation and ancillary services; and (ii) an integrated complex of hot spring resorts and real estate development projects. With such increasing trend of large-scale developments in China, it is expected that the capital requirements to market entry will continue to increase which will further raise the entry barrier.

In addition, natural hot spring resources are the basic prerequisite to operating a hot spring resort, yet natural hot spring resources are scarce and scattered. Land resource is another important element to hot spring resort operation and the acquisition and development of land requires considerable amount of capital. These factors contribute to the high entry barrier to the industry.

More importantly, operations of hot spring resorts are heavily regulated. Potential market players will likely have to incur considerable costs for preparation work in order to comply with the property and environmental regulatory requirements, increasing the capital requirements. Customers are also likely to prefer local hot springs, which therefore limits the pool of customers on a geographical scale and in turn affects revenue and investment returns. Seasonality in the hot spring industry, which is usually defined by way of a peak season of October to February the following year and a low season of June to September, further plays a part in prolonging investment return. All these factors combine together to cause the hot spring industry to be capital intensive with high barriers to entry.

Land acquisition costs, labour costs, sales and marketing and maintenance costs are some of the key operating costs for hotel development and operation. According to the Crowe Horwath Report, main operational costs for hotels in Jiangmen City reached RMB484 million in 2015. Accordingly, substantial amount of capital is required for hot spring resort development and operation, resulting in high entry barrier to the market. Apart from capital, the requirement for experienced personnel in operating a resort successfully further raises the entry barrier.

Market landscape and competition

Market share of the hot spring and hotel industry in Guangdong Province is scattered among the local players given that customers are likely to prefer local hot springs in the industry. The market is therefore fragmented and is characterised by strong competition and absence of economies of scale, leading to a competitive environment where players are striving to differentiate themselves by providing a different travelling experience for visitors. As a result, there are numerous hot spring resorts with different features in Guangdong Province and the market is highly competitive in spite of the high entry barrier. In view of the foregoing, we consider the hot spring resorts in Jiangmen City and in other cities in Guangdong Province to be our major competitors. Market players tend to compete on scale of their hot spring complex,

INDUSTRY OVERVIEW

reputation, admission ticket price and room rates. As at the end of 2014, there were 13 hot spring tourism market players in Jiangmen City offering 10 to over 100 hot spring pools each; and as at November 2014, there were 13 other hot spring tourism market players in Guangdong Province offering 20 to over 100 hot spring pools each. These competitors may be of larger operating scale and may have stronger financial strengths and resources than our Group.

According to Crowe Horwath, it is difficult to reflect the market share and ranking among the hot spring resorts in Jiangmen City and Guangdong Province accurately as (i) a hot spring resort represents a combination of hot spring, hospitality and recreational facilities; (ii) room revenue and hot spring admission income are generally the mainstays of the overall turnover of hot spring resorts; (iii) while those hotel resort operators which also run hot spring facilities may be discerned as the industry market players and information on room revenue of these players in 2014 is available, given that the hot spring admission income usually forms part of the package price that also includes room revenue and these market players are private companies, it imposes difficulty in distinguishing different income components and as such it is infeasible to extract information on hot spring admission income with respect to most of these players for the corresponding period. Thus, the foregoing information is not publicly available; (iv) in the absence of information on hot spring admission income, which represents one of the mainstays of a hot spring resort, it is difficult to define a reliable gauge for the purpose of reflecting the ranking and market share of the hot spring resorts in the relevant regions; and (v) accordingly, based on the information currently available to our Company, it is difficult to institute an industry-recognised system upon which the market share and ranking among the hot spring resorts in Jiangmen City and Guangdong Province could be accurately reflected.

Located in Jiangmen City of Guangdong Province, our *Gudou Hot Spring Resort* offers more than 60 hot spring pools and has been awarded as a National Tourist Attraction — Grade AAAA* (國家 AAAA 級旅遊景區) (with 5As being the highest) by the National Tourist Attraction Quality Rating Committee* (全國旅遊景區質量等級評定委員會) since 2005. According to Crowe Horwath, the “*Gudou*” brand is widely recognised by customers in the PRC as being a well-known hot spring resort operator due to our relatively long history and track record of hot spring operations in Jiangmen City and as evidenced by a number of awards and accolades accredited to us by various organisations or government authorities. Accordingly, with our track record, awards, competitive strengths and strategies, we believe that we can continue our successful operations notwithstanding the intense competition of the market.

Challenges and threats

The challenges and threats that our hot spring resort and hotel operations face include the following:

- Jiangmen City, situated in the southern part of China, has a relatively longer summer than the cities in the northern part of China. Seasonality, to which the hot spring industry is subject, generally works in favour of operations in relatively cold weather. With a relatively shorter period of cold weather in Jiangmen City, we generally have a shorter period of peak operating time than our counterparts in the northern part of China and therefore it may be relatively more challenging for us to drive our business growth;

INDUSTRY OVERVIEW

- Jiangmen City is not a first tier city in Guangdong Province and most of the travellers to our *Gudou Hot Spring Resort* are locals. It may therefore be relatively more challenging to attract top overseas management to manage our *Gudou Hot Spring Resort*, possibly rendering a relatively more difficult business growth than our counterparts in the first tier cities in Guangdong Province; and
- The PRC government is imposing more pressure for enterprises to protect the environment. This will increase the operation cost of hot spring resorts.

THE TOURISM REAL ESTATE INDUSTRY

Overview

According to the Crowe Horwath Report, the concept of tourism real estate utilises the surrounding rich tourism resources and combines tourism, leisure, vacation and residential living into one single development, acting as a seamless bridge between the tourism and real estate industries. Tourism real estate provides better natural landscape, landscape architecture and accommodation supporting facilities with investment value. Common tourism real estate projects include commodity property development within sites also embracing hot springs, resorts, theme parks, sports facilities and/or golf courses.

According to Crowe Horwath, although market players are able to segregate tourism real estate from traditional real estate conceptually, it is difficult to define, on a quantitative basis, the difference between tourism properties and residential properties. The idea of tourism real estate is to a certain extent conceptual and may easily be exploited in a property development project where there are ancillary facilities within the property development site (and as such while many development sites are not exactly tourism real estate sites because the tourism-related facilities are relatively trivial or immaterial with reference to the scale of the whole site, it is not accurate to exclude them entirely from the category of tourism real estate). In addition, the development of tourism facilities within a site could take place simultaneously with or subsequent to the property development (as such it is not accurate to exclude a real estate site within which there is land reserve entirely from the category of tourism real estate). According to Crowe Horwath, as at the Latest Practicable Date, no specific industry data in relation to tourism properties is publicly available. Thus, in the absence of public information or an accurate and industry-recognised definition of tourism properties on a quantitative basis, it is not feasible for our Company to provide any specific industry data in respect of tourism properties.

Nevertheless, tourism properties are a kind of commodity properties and the major difference between the tourism real estate market and the traditional real estate market is the unique market positioning of tourism real estate segment within the real estate industry which can be seen from its geographical location, surrounding tourism attractions, amenities and other facilities. According to Crowe Horwath, the trend of the industry components of the tourism real estate market (such as pricing, demand and supply), however, would still largely be affected by trend of the relevant items of the traditional real estate market.

Accordingly, the tourism real estate market is additionally subject to tourism considerations (which have been discussed under the previous heading) on top of the factors that generally have an impact on the typical real estate market.

INDUSTRY OVERVIEW

Key demand drivers

The major demand driver for tourism real estate in the PRC is represented by a combination of urbanisation of its resident population and increasing level of per capita disposable income courtesy of the robust economic development in China.

The urban resident population increased from 170 million in 1978 to 771 million in 2015, representing an increase in the proportion of urban residents from 17.9% to 54.8% during the same period.

The per capita disposable income of the PRC increased at a CAGR of 9.4% from 2011 to 2015. According to the Crowe Horwath Report, it is foreseeable that there will be a strong demand for households in Jiangmen City to purchase a “second home” with rich tourism resources for vacation purposes with its increased disposable income.

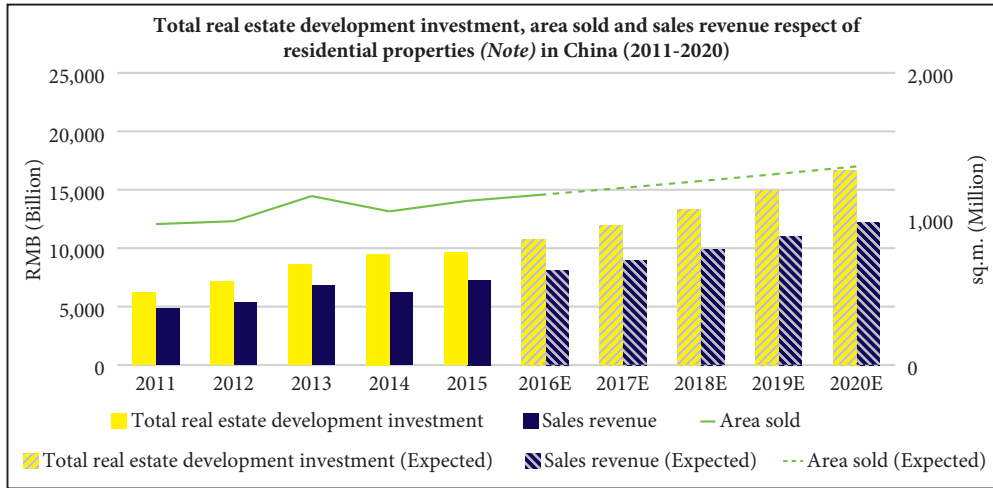
Jiangmen City is located in the hub of the Pearl River Delta region and has been developing rapidly in recent years. In comparison with the past, the populations in Guangdong Province and Jiangmen City have more disposable income per capita and generally seek better quality of life. They therefore look for better building quality and management services when they engage in property acquisition, both from a self-occupation perspective and an investment perspective. Tourism properties under the tourism real estate industry generally offer design and management services that bear resemblance to that for the tourism facilities within the same site, which by nature are typically attractive and offered in good quality. Accordingly, tourism properties represent an appealing choice for primary residence, a recreational or second home, or even an investment tool. As such, the above factors will combine to drive purchasers to dip into properties under tourism real estate market rather than the traditional real estate market.

As per the “Pearl River Delta Intercity Railway and Urbanisation Plan (Revised)”* (珠江三角洲地區城際軌道交通同城化規劃(修編)) issued by China Railway Siyuan Survey and Design Group (中國第四勘察設計院集團) in 2009, there will be 23 urban railways with a total length 1,890 k.m., creating a “1-hour living area” within the Pearl River Delta region. As at the Latest Practicable Date, updated information in relation to the “Pearl River Delta Intercity Railway and Urbanisation Plan (Revised)” was not available.

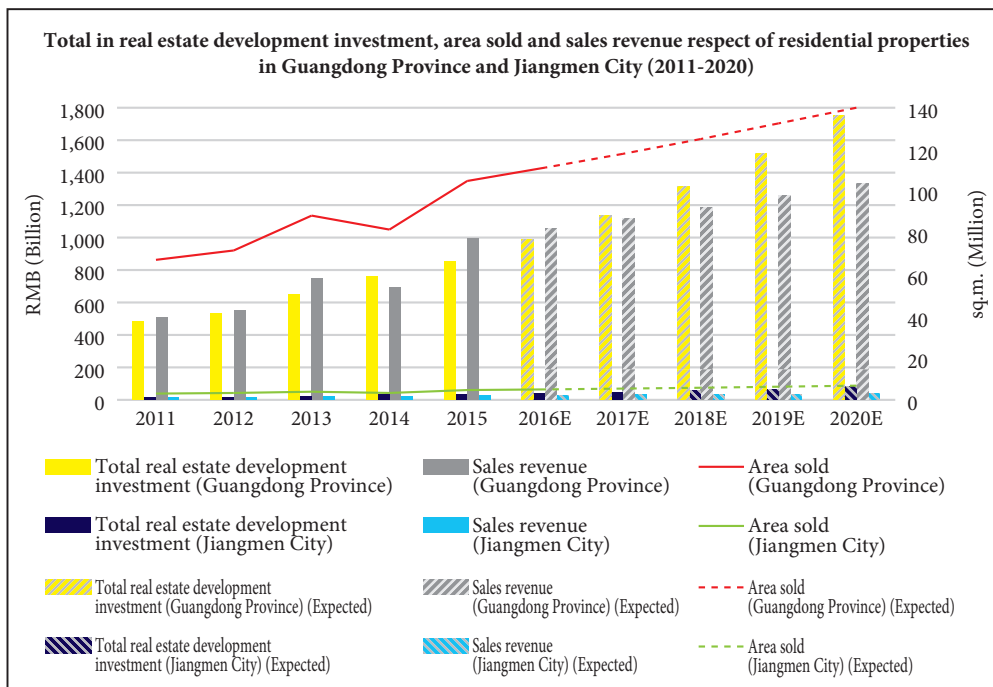
The combination of urbanisation, the development of the transportation network and the expected relaxation of government control on the real estate market is expected to draw in more purchasers for tourism real estate in Jiangmen City.

INDUSTRY OVERVIEW

The following charts demonstrate the historical and expected trend of the total real estate development investment, total GFA and sales revenue in respect of residential properties in China, Guangdong Province and Jiangmen City for the years indicated:



Note: Residential properties for the purpose of this chart also include villa and high-grade apartments.



Source: National Bureau of Statistics of the PRC; Crowe Horwath

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The following table sets forth the historical average selling price of residential properties in China, Guangdong Province and Jiangmen City for the years indicated:

	Average selling price (RMB per sq.m.)				
	2011	2012	2013	2014	2015
China	4,993	5,430	5,850	5,933	6,473
Guangdong Province	7,561	7,668	8,466	8,506	9,495
Jiangmen City	5,321	5,444	5,868	5,764	5,588

Source: Crowe Horwath

According to Report on the Work of the Government delivered at the Second Session of the Twelfth National People's Congress on 5 March 2014 (政府工作報告 — 2014年3月5日在第十二屆全國人民代表大會第二次會議上), since the beginning of 2014, local governments of various cities have released notices regarding the relaxation of control over the property market. Owing to the expected overall trend of increasing total GFA, sales revenue to be sold and average selling price in China, Guangdong Province and Jiangmen City, coupled with the expected continuing growth of the tourism industry in these geographical segments, the tourism real estate industry in Jiangmen City is expected to continue to blossom in the coming few years.

Entry barriers

The tourism real estate industry is capital intensive and a substantial land bank is a prerequisite to market entry. A further complication is that land supply is uncertain and depends on various factors including local demand and government policies. Real estate development also involves other high costs, including construction costs, professional costs and finance costs.

In addition, real estate developers are required to obtain and maintain a PRC property development enterprise qualification certificate before they can engage in property development business. Developers are required to have certain registered capital, professional staff and experience in order to qualify for the obtaining of such certificate.

Market landscape and competition

The tourism real estate market in the PRC is highly fragmented and intensely competitive, with a broad range of enterprises (such as hot spring resort operators of various sizes, traditional large scale property developers as well as other small scale or local leisure, attraction and recreational facilities developers and operators) geared up for seizing the market opportunities in realisation of the industry potential and thus considered market players and our competitors. As a result of the large number of players and the highly fragmented market due to extensive range of participants, there is no one enterprise dominating the tourism real estate industry, and the industry concentration level is low. Taking the property developers as reference, according to the National Bureau of Statistics of the PRC (中華人民共和國國家統計局), in 2015 there were 7,341 property developers in Guangdong Province, together contributing to an aggregate revenue of commodity property of RMB1,144 billion, of which only less than 10% was shared by the top three market players.

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Market participants in the tourism real estate industry compete on quality of products, brand and reputation, economies of scale and bargaining power with suppliers. We believe that a widespread reputation of the capability to construct quality properties together with good corporate branding and scale generally strengthens the bargaining power of an enterprise in many aspects of its business operations, which when coupled with the availability of land resources and well developed ancillary leisure and recreational and other tourism facilities will represent the key factors for success in the tourism real estate industry.

Challenges and threats

The challenges and threats in connection with our tourism property development mainly include the uncertainty of the future general economic conditions in China which as discussed earlier will likely have an impact on the consumer spending level and pattern. Amid an expected rising trend, any downturn on the general economic conditions in China will dampen consumer confidence and adversely affect the spending level and pattern in the Guangdong Province and immediate adjacent provinces, which in turn may have an adverse impact on our pricing and sales performance in respect of our tourism property development projects.

PRICES OF KEY CONSTRUCTION MATERIALS

Our key construction materials are procured by our contractors and the costs of which form part of the contractor fees. As such, the risk of price fluctuation of these materials will generally be borne by our contractors. However, there is a chance that substantial increases in construction materials may prompt our contractors to increase their fee quotes for our new tourism property development projects.

Steel, timber and cement make up the majority of the cost of construction materials. During 2011 to 2015, the price indices of steel, timber and cement recorded a CAGR of -4.8%, -0.9% and -2.0% respectively. The steel, timber and cement price indices remained at a relatively high level from 2008 to 2011 due to strong economic growth and demand stimulated by the government's stimulus introduced in 2009. Subsequently, the downward trend of real GDP growth and austerity measures imposed on the real estate market led to decrease in demand and the price index of steel, timber and cement went on a downward trend.

The table below sets out price index of steel, timber and cement over the years indicated.

	2011	2012	2013	2014	2015	CAGR (2011-2015)
Prices Indices of Investment in Fixed Assets <i>(Preceding year = 100)</i>						
— Steel	108.9	95.9	96.0	96.3	89.6	-4.8%
— Timber	105.4	102.3	102.6	102.1	101.5	-0.9%
— Cement	106.2	99.2	101.3	102.4	97.8	-2.0%

Source: Guangdong Statistical Yearbook (2011-2016), PRC

REGULATORY OVERVIEW

This section sets forth a summary of the major laws and regulations which are applicable to our business and operations.

GENERAL OPERATION

Foreign investment

On 3 September 2016, the Standing Committee of NPC revised the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), which became effective from 1 October 2016. Wholly foreign-owned enterprises which are not subject to the special administrative measures for admission need only file a record of its establishment, operation duration, extension, separation, merger or other major changes to the delegated commercial authorities. The special administrative measures for admission shall be promulgated or approved to be promulgated by the State Council.

Pursuant to Announcement No. 22, issued by NDRC and MOFCOM on 8 October 2016, the special administrative measures for admission shall be implemented with reference to the relevant regulations as stipulated in the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》) in relation to the restricted foreign invested industries, prohibited foreign invested industries and encouraged foreign invested industries which have requirements as to shareholding and qualifications of senior management.

Pursuant to the Provisional Administrative Measures on Establishment and Modifications Filing for Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) (“**Provisional Measures**”) promulgated by MOFCOM on 8 October 2016, the establishment and modification of foreign invested enterprises not subject to approval under the special administrative measures for admission shall be filed with the delegated commercial authorities. Since 8 October 2016, where such foreign invested enterprises fall within the record-filing scope stipulated in the Provisional Measures, foreign invested enterprises shall fill in online and submit an application and the relevant documents for record-filing of the establishment and changes and handle the record-filing procedures.

Foreign exchange

On 9 June 2016, SAFE promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (“**SAFE Circular No. 16**”), which stipulates that the use of foreign exchange income of capital accounts by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises and the foreign exchange incomes of capital accounts and the capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for certain purposes. Violations of SAFE Circular No. 16 could result in administrative penalties.

The SAFE Circular No. 16 unifies the Discretionary Foreign Exchange Settlement for all the domestic institutions. The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account which has been confirmed by the relevant polices subject to the Discretionary Foreign Exchange Settlement (including foreign exchange capital, foreign loans and funds remitted from the proceeds from the overseas listing) can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital is temporarily determined as 100%.

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Furthermore, SAFE Circular No. 16 stipulates that the use of foreign exchange incomes of capital accounts by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The foreign exchange incomes of capital accounts and capital in Renminbi obtained by the foreign-invested enterprises from foreign exchange settlement shall not be used for the following purposes:

- (1) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations;
- (2) directly or indirectly used for investment in securities or financial schemes other than bank guaranteed products unless otherwise provided by relevant laws and regulations;
- (3) used for granting loans to non-connected enterprises, unless otherwise permitted by its business scope; and
- (4) used for the construction or purchase of real estate that is not for self-use (except for the real estate enterprises).

TOURISM

Tourism law

Pursuant to the Tourism Law of the PRC (《中華人民共和國旅遊法》) which was promulgated by Standing Committee of the NPC on 25 April 2013 and implemented on 1 October 2013 and amended on 7 November 2016, the travel agencies, scenic spots and operators providing the services of transport, accommodation, catering, shopping and entertainment for tourists (“**tourism operators**”) shall act according to the requirements set by Tourism Law of the PRC when providing the relevant services for the tourism activities, among which:

- (i) tourism operators shall have the corresponding production safety conditions. Immediately after an emergency or tourism safety incident, tourism operators shall take necessary assistance and settlement measures, perform the reporting obligation, and properly settle the tourists;
- (ii) tourism operators providing transport, accommodation, catering and entertainment services for tourists shall act according to the requirements set by laws and regulations, fulfill their obligations set forth in the relevant contract and ensure that the commodities and services they provide conform to the requirements on personal and property safety;
- (iii) operators of scenic spots and accommodation, when transferring part of their services or spaces to others to provide services such as accommodation, catering, shopping, sightseeing, entertainment, tourism and transport, shall assume joint liability for the losses caused by the operational behaviors of the actual operators; and
- (iv) tourism operators shall not offer or take bribes when selling/buying commodities or services, otherwise, the administration for industry and commerce shall impose penalties on tourism operators in accordance with relevant laws and regulations.

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Public assembly venues sanitary licence

The Regulations for the Administration of Sanitation of the Public Assembly Venue (《公共場所衛生管理條例》) promulgated and implemented on 1 April 1987 and amended on 6 February 2016, and the Implementation Rules for the Regulations for the Administration of Sanitation of the Public Assembly Venue (《公共場所衛生管理條例實施細則》) promulgated on 10 March 2011 and effective on 1 May 2011 and amended on 19 January 2016 were promulgated by the State Council and the NHFPC respectively. The State implements the administration of sanitary licence (衛生許可證) in public assembly venues such as hotel, restaurant, public bathroom, recreation hall, ballroom, music hall, stadium, natatorium. The operators of public assembly venue shall open business after obtaining sanitary licence issued by sanitary administrative department at or above the county level. If the operators open business without the public assembly venues sanitary licence, the sanitary administrative department at or above the county level shall order them to temporarily shut down and make corrections within a time limit, give them a warning and impose a fine on them.

Special trade licence

Pursuant to Provisions of Guangdong Province on Administration of Public Security in Hospitality Industry (《廣東省旅館業治安管理規定》) promulgated on 10 July 2006 by Guangdong Provincial Government and implemented on 1 September 2006, hotels, restaurants, mansions, resorts, mountain villas, sanatoriums, clubs and reception stations which provide the guests with accommodation in Guangdong administrative region shall apply for the Special Trade Licence (特種行業許可證) at the security authority at or above the county level. If these hospitality venues are open without the special trade licences, the security authority at or above the county level shall ban them.

Entertainment business licence

Pursuant to the Regulations on the Administration of Entertainment Venues (《娛樂場所管理條例》) promulgated on 29 January 2006 by the State Council and implemented on 1 March 2006 and amended on 6 February 2016 and Measures for the Administration of Entertainment Venues (《娛樂場所管理辦法》) promulgated on 4 February 2013 by Ministry of Culture and implemented on 11 March 2013, the PRC permits establishing entertainment venues of Sino-foreign joint venture and Sino-foreign cooperative operation but does not permit establishing wholly foreign-owned entertainment venues. When the entertainment venues apply to engage in the entertainment business activities, the operators shall apply for the entertainment business licence (娛樂經營許可證) at the relevant culture authority. The programs broadcasting and performing in song and dance entertainment venues shall not include the contents forbidden by the laws and regulations and the song and dance entertainment venues shall not allow the admission of minors. When recreational entertainment venues are being operated, gaming and entertainment equipments whose contents are not checked by the culture authority shall not be set in recreational entertainment venues; the minors shall be forbidden from entering the game zone except on national statutory holidays. If the entertainment venues are operated without the entertainment business licence, the culture authority shall ban them.

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Operation (retail) licence of fireworks and firecrackers

Pursuant to the Regulations on the Safety Administration of Fireworks and Firecrackers (《煙花爆竹安全管理條例》), which was promulgated and implemented on 21 January 2006 by the State Council and amended on 6 February 2016, the State applies a licensing system to the business operation of fireworks and firecrackers as well as the holding of fireworks evening parties or other large-scale fireworks shows. The operators engaging in the retail of fireworks and firecrackers shall apply for operation (retail) licence of fireworks and firecrackers at the relevant work safety administration authority.

High risk sports operation licence

Pursuant to the Management Regulations of High Risk Sports Operating Activity of Guangdong Province (revised 2014) (《廣東省高危險性體育項目經營活動管理規定(2014修正)》), which was promulgated on 25 September 2014 by the Standing Committee of People's Congress of Guangdong Province, high risk sports include swimming, diving, rafting, rock climbing, bungee jumping, shooting, archery, go-karting, roller skating, paragliding, powered paragliding, hot air ballooning and so on. When engaging in high risk sports operating activity, the operators shall apply for operation licence at the relevant sports administrative department.

CONSUMER FOOD SERVICES AND FOOD SAFETY

Food safety and licensing requirement for consumer food services

In accordance with the Food Safety Law of the PRC (中華人民共和國食品安全法) (the “**Food Safety Law**”) promulgated by the Standing Committee of the NPC on 28 February 2009, taken into effect on 1 June 2009 and as amended on 24 April 2015, and the Implementation Rules of the Food Safety Law of the PRC (中華人民共和國食品安全法實施條例) (the “**Implementation Rules of the Food Safety Law**”) promulgated by the State Council and taken into effect on 20 July 2009 and amended on 6 February 2016, with the purpose of ensuring food safety and safeguarding the health and life safety of the public, the State sets up a system of the supervision, monitoring and appraisal on the food safety risk, compulsory adoption of food safety standards, operating standards for food production, food inspection, food export and import and food safety accident response.

The Food Safety Law sets out, as penalties for violation, various legal liabilities in the form of warnings, orders to rectify, confiscations of illegal gains, confiscations of utensils, equipment, raw materials and other articles used for illegal production and operation, fines, recalls and destructions of food in violation of laws and regulations, orders to suspend production and/or operation, revocations of production and/or operation licence, and even criminal punishment.

The Implementation Rules of the Food Safety Law further specify the detailed measures to be taken and conformed to by food producers and business operators in order to ensure food safety as well as the penalties that shall be imposed should these required measures not be implemented.

On 4 March 2010, the NHFPC promulgated the Administrative Measures on Food and Beverage Service Licensing (《餐飲服務許可管理辦法》) and Administrative Measures on Food Safety Supervision in Food and Beverage Services (《餐飲服務食品安全監督管理辦法》), which came into force on 1 May 2010, and according to which providers of consumer food services are

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required to obtain a food and beverage service licence (餐飲服務許可證) and are responsible for safety in food and beverage services in accordance with the law. A service provider, providing food and beverage services at different locations or venues must obtain separate food and beverage service licences for each venue. In the event of any change in the operation locations, a new application for food and beverage service licence is required. The food and beverage service licence is valid for a period of three years. For those temporarily providing consumer food services, an interim food and beverage service licence valid for a period not exceeding six months must be obtained. According to the aforesaid laws and rules, any restaurant which does not have the food service licence may be subject to confiscation of gains and other restaurant assets, or fines ranging from RMB2,000 to ten times the value of food sold at the restaurant.

Food operation licence

According to the Administrative Measures on Food Operation Licensing (食品經營許可管理辦法) promulgated by the China Food and Drug Administration (國家食品藥品監督管理總局) on 31 August 2015 and came into effect on 1 October 2015, engaging in food sales and catering services activities in the PRC requires the legally obtaining of a food operation license. The food and drug supervising and administrative department shall implement classification licensing on food operation in accordance with the type of food operation entity and the degree of risk of the operation scope. The food operation license shall be applied in accordance with the type of the operation entity and the classification of the operation scope. The types of the food operation entities include food sale operator, catering services operator and unit cafeteria. The local food and drug supervising and administrative department at or above county level, depending on circumstances of the application materials' review and the site inspection etc., shall approve the operation licensing application to the applicant that meets the criteria, and issue the food operation license (食品經營許可證) to the applicant within 10 days after its approval.

According to the Announcement on Launching the Use of Food Operation Licence (關於啟用《食品經營許可證》的公告), promulgated by the China Food and Drug Administration on 30 September 2015 and which became effective on the same day, a former food distribution or catering service licence that does not expire will continue to be valid. If during the validity period of the former food distribution or catering service licence, the food sale operator applies to replace such licence with a food operation licence, the food operation licensing authority shall make the replacement according to relevant provisions; and the former food distribution or catering service licence will be de-registered by its issuing authority upon such licence's expiration.

Tobacco monopoly

In accordance with the Law on Tobacco Monopoly of the PRC (《中華人民共和國煙草專賣法》) (promulgated on 29 June 1991, effective as of 1 January 1992 and amended on 28 December 2013 and 24 April 2015) and the Implementation Rules for the Law on Tobacco Monopoly of the PRC (《中華人民共和國煙草專賣法實施條例》) (promulgated and effective on 3 July 1997, and newly amended on 6 February 2016) issued by the Standing Committee of NPC and State Council respectively and the Administrative Measures for Tobacco Monopoly Licence (《煙草專賣許可證管理辦法》) (promulgated on 5 February 2007 and amended on 26 May 2016), to engage in the tobacco monopoly wholesale and retail business, the enterprise shall file an application with the local tobacco monopoly administrative department to apply for the tobacco monopoly wholesale enterprise licence (煙草專賣批發企業許可證) and the tobacco monopoly retail licence (煙草專賣零售許可證).

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Consumer protection and production liability

Pursuant to the Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) as promulgated on 31 October 1993 and amended on 25 October 2013 and the Tort Law of the PRC(《中華人民共和國侵權責任法》) as promulgated on 26 December 2009 and implemented on 1 July 2010, an operator shall be responsible for the quality of the products and the services it provides. Where any harm is caused by a defective product, the victim may claim for compensation either from the producers or sellers. If the liability lies on the producers and the compensation has been paid by the sellers, the sellers have the right to recover their losses from the producers. If the liability lies on the sellers and the compensation has been paid by the producers, the producers have the right to recover their losses from the sellers. Where the consumers' legal rights are harmed when services are provided to them, they may seek compensation from the services providers.

HOT SPRING RESORT AND HOTEL OPERATIONS

Commercial prepaid cards

The Administrative Measures for Single-Purpose Commercial Prepaid Cards (for Trial Implementation) (《單用途商業預付卡管理辦法(試行)》)(“**Prepaid Cards Measures**”), promulgated by the MOFCOM on 21 September 2012 and effective as of 1 November 2012 and amended on 18 August 2016, applies to enterprise legal persons engaging in the retail industry, accommodation and catering industry and resident services industry which carries out single-purpose commercial prepaid card business within the territory of the PRC. The Prepaid Cards Measures regulate filings, issuance and services, funds management, supervision and administration, and legal consequences relating to single-purpose commercial prepaid cards. If an enterprise's single-purpose commercial prepaid cards fail to comply with the Prepaid Cards Measures, the competent authority shall order it to rectify within a prescribed time limit; if the enterprise fails to rectify within the prescribed time limit, a fine will be imposed.

Exploiting and using thermal spring water

Pursuant to the Water Law of the PRC(《中華人民共和國水法》), which was promulgated on 29 August 2002 by the Standing Committee of NPC, effective on 1 October 2002 and amended on 27 August 2009 and 2 July 2016, any unit or individual that takes water and uses water resources directly from a river or a lake or from the underground shall, in accordance with the regulations of the licensing system of the State for water-taking and the system for compensated use of water resources, apply to the administrative department for water resources or the river basin authority for a water drawing permit and pay water resources fees, in order to acquire the right to take water, except where only a small amount of water is taken for domestic use or for drinking by poultry and livestock reared outdoors or in pens. The use of water shall be measured and water shall be used in accordance with the approved plan for water use. For the use of water, the system shall be applied under which a fee shall be charged on the basis of the amount of water used and a progressive higher price shall be charged for the amount that exceeds the quota.

Pursuant to the Mineral Resources Law of the PRC(《中華人民共和國礦產資源法》) promulgated on 29 August 1996 and amended on 27 August 2009 by the Standing Committee of NPC and its implementation rules, anyone who wishes to explore and exploit mineral resources including hot spring shall apply for the rights of exploration and mining separately according to law and obtain the exploration licence (勘查許可證) and the exploitation licence (採礦許

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可證) respectively. The Procedures for Administration of Registration of Mining of Mineral Resources (《礦產資源開採登記管理辦法》) promulgated by the State Council on 12 February 1998 and amended on 29 July 2014 further clarifies the purviews of the department that issues the exploitation licence, the catalogue listing types of minerals whose exploitation requires an exploitation licence, and the procedures of obtaining an exploitation licence.

Bidding, auction and quotation of the exploration rights and the mining rights

The Measures for the Administration of Invitation to Bid, Auction, or Quotation Concerning Mineral Prospecting Right and Mining Right (for Trial Implementation) (《探礦權採礦權招標拍賣掛牌管理辦法(試行)》) promulgated by the MLR on 11 June 2003 and effective on 1 August 2003 and the Notice of the MLR on Further Regulating the Administration of the Transfer of Mining Rights (《國土資源部關於進一步規範礦業權出讓管理的通知》) issued by the MLR and effective on 24 January 2006 (collectively the “**Bidding Measures**”) set out the categories and the ways of granting the mining rights and the major procedures for the bidding, auction or quotation activities with respect to the assignment of the exploration rights and the mining rights. Also, on 21 January 2010, the Department of Land and Resources of Guangdong Province (《廣東省國土資源廳》) promulgated the Measures of Guangdong Province for the Administration of Granting Mineral Prospecting Right and Mining Right by Bid, Auction, or Quotation (《廣東省探礦權採礦權招標拍賣掛牌出讓管理辦法》) (“**Guangdong Bidding Measures**”), taking effect as of 21 January 2010, which regulate the activities of granting exploration rights and mining rights by bidding, auction or quotation within the administrative region of Guangdong Province. According to the Bidding Measures and the Guangdong Bidding Measures, the land and resources administrative authorities at or above county level shall be responsible for the arrangement and implementation of the bidding, auction or quotation activities according to their legal purviews of issuing exploration licence and exploitation licence. Superior land and resources administrative departments may delegate the arrangement activities of granting exploration right and mining right by bidding, auction or quotation to their subordinate land and resources administrative departments.

Where the granting of exploration rights and mining rights is required to be administered by way of bidding, auction or quotation according to the relevant regulations, the method of quotation is allowed unless the granting is otherwise required to be administered by bidding or auction. The Bidding Measures and the Guangdong Bidding Measures set forth the relevant provisions with regard to granting the exploration rights and mining rights by bidding, auction, quotation or agreement. For public bidding or invited bidding, the bidding notice or the bidding invitation shall be announced at least 30 days before the bidding; for auction or quotation, the auction notice or the quotation notice shall be announced at least 20 days before the auction or quotation; the bidding, auction or quotation notice shall include the qualification requirements for bidders. The winning bidder shall sign a deal confirmation letter after winning the bid and execute an exploration rights and mining rights grant agreement within 30 days after signing the deal confirmation letter.

Right to the use of sea areas

Pursuant to the Law of the PRC on the Administration of Sea Areas (《中華人民共和國海域使用管理法》), which was promulgated on 27 October 2001 by the Standing Committee of NPC and effective 1 January 2002, any entity or individual that intends to use the sea areas is required to obtain the right to their use in accordance with law. The State establishes a registration system for the right to the use of sea areas. Any entity and individual may, for the use of sea areas,

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apply to the department in charge of marine administration under the people's government at or above the county level. Where the use of a sea area is approved by the State Council, it shall be registered with the department in charge of marine administration under the State Council, which shall issue to the applicant the sea area use right certificate; where the use of a sea area is approved by a local people's government, it shall be registered with the said government, which shall issue to the applicant the sea area use right certificate. The applicant shall, beginning from the date it/he receives the certificate, obtain the right to the use of the sea areas. The State applies a system of compensation for the use of sea areas. For the use of sea areas, all entities and individuals shall pay fees in accordance with the regulations of the State Council. Anyone illegally using sea area in the absence of approval will be ordered to vacate the sea area illegally occupied, restore the sea area to its original status, hand in its illegal income, and pay a penalty ranging from 5 times to 15 times of the sea area use fee that it was supposed to pay for the sea area it occupied during the illegal occupancy period. Anyone who fails to pay sea area use fee will be ordered to pay the fee within a prescribed period of time; failure to pay the fee within the prescribed period of time will result in the annulment of the sea area use right certificate and the revocation of the sea area use rights.

Fire prevention

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) promulgated by the Standing Committee of the NPC on 29 April 1998 and amended on 28 October 2008, the fire prevention design or construction of a construction project must conform to the national fire prevention technical standards. For a construction project that needs a fire prevention design under the national fire protection technical standards for project construction, the construction entity must submit the fire prevention design documents to the fire prevention department of the public security authority for approval or filing purposes (as the case may be). No construction permit shall be given for the construction projects for which the fire prevention design has not been approved or are considered unqualified after the review, nor shall such construction entity commence their construction. Upon completion of a construction project to which a fire prevention design has been applied, according to the requirements of the Fire Prevention Law of the PRC, such project must go through an acceptance check on fire prevention by, or filed with, the relevant fire prevention departments of public security authorities. No construction may be put into use before it is accepted by the relevant fire prevention units of public security authorities. The Fire Prevention Law of the PRC further stipulates that, for each public assembly venue, such as Karaoke clubs, dancing halls, cinemas, hotels, restaurants, shopping malls, trade markets and etc., the construction entity or entity using such venue shall, before use and operation of any business thereof, apply for a safety check on fire prevention with the relevant fire prevention department under the public security authority at or above the county level where the venue is located, and such place cannot be put into use and operation if it fails to pass the safety check on fire prevention or fails to conform to the safety requirements for fire prevention after such check.

Special equipment

Pursuant to the Law of the PRC on the Safety of Special Equipment (《中華人民共和國特種設備安全法》) promulgated by the Standing Committee of NPC on 29 June 2013 and effective from 1 January 2014 and the Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》) promulgated on 11 March 2003 (effective on 1 June 2003) by the State Council and amended on 24 January 2009 (effective on 1 May 2009), before putting any special equipment into service, including boilers, pressure vessels (including gas cylinders), pressure

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pipelines, elevators, lifting appliances, passenger ropeways, large amusement devices and special motor vehicles in field (or factory) (including sightseeing battery car), which relate to human safety or has high risks, or within 30 days after such putting-into-service, units using the special equipment shall register with the relevant departments for safety supervision administration of special equipment. Users using special equipment without registration shall be ordered to rectify within a time limit, and if the user fails to rectify within the time limit, it shall be ordered to stop using the special equipment and be imposed a fine ranging from RMB10,000 to RMB100,000.

REAL ESTATE

Establishment of real estate development enterprise

According to the Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》) (“**Urban Real Estate Law**”) promulgated by the Standing Committee of the NPC and taking effect on 1 January 1995, as amended on 30 August 2007 and 27 August 2009, a real estate development enterprise is defined as an enterprise which engages in the development and sale of real estate for the purpose of making profits. Under the Regulations on Administration of Development of Urban Real Estate (《城市房地產開發經營管理條例》) (“**Development Regulations**”) promulgated by the State Council on 20 July 1998 and amended on 1 November 2002, 19 May 2004 and 8 January 2011, in addition to requirements on establishing enterprises, an enterprise that engages in development of real estate must satisfy the following requirements: (i) its registered capital must be RMB1 million or more and (ii) it must have four or more full-time professional real estate/construction technicians and two or more fulltime accounting officers, each of whom must hold the relevant qualification certificate. The local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate development enterprise. To establish a real estate development enterprise, the real estate development enterprise should apply for registration with the administration for industry and commerce on or above the county level. The real estate development enterprise must also report its establishment to the real estate development authority in the location of the registration authority, within 30 days of the receipt of its business licence.

Foreign-invested real estate development enterprises

According to the Circular on Standardising the Admittance and Administration of Foreign Capital in the Real Estate Market (《關於規範房地產市場外資准入和管理的意見》) (“**Circular 171**”) jointly promulgated by MOHURD, MOFCOM, NDRC, PBOC, SAIC and SAFE on 11 July 2006 and the Notice on Adjusting the Admittance and Administration of Foreign Capital in the Real Estate Market (《關於調整房地產市場外資進入和管理有關政策的通知》) jointly promulgated by MOHURD, MOFCOM, NDRC, PBOC SAIC and SAFE on 19 August 2015:

- (i) an overseas entity or individual investing in real estate in the PRC other than for self-use, shall apply for the establishment of a Foreign Invested Real Estate Enterprise (“**FIREE**”) in accordance with applicable PRC laws and shall only conduct operations within the authorised business scope after obtaining the relevant approvals from and registering with the relevant governmental authorities;

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- (ii) a newly established FIREE can first obtain an approval certificate and business licence, both of which are valid for one year. The official approval certificate and business licence can be obtained by submitting the land use right certificate to the relevant government departments after the land grant premium for the land has been paid;
- (iii) an equity transfer of a FIREE or the transfer of its projects, as well as the acquisition of a domestic real estate enterprise by foreign investors, must first be approved by the commercial authorities who shall strictly follow the corresponding laws, regulations and policies. The investor shall submit a letter to the commercial authorities confirming that it will abide with the land grant contract, the construction land planning permit and the construction works planning permit. In addition, the investor shall also submit the land use right certificate, the evidence from the construction authorities confirming the alteration of archives and evidence from the tax authorities confirming that tax relating to the transfer has been fully paid;
- (iv) foreign investors acquiring a domestic real estate enterprise through equity transfer or through any other methods or acquiring the Chinese investors' equity interest in an equity joint venture shall pay the purchase price from its own capital in a lump sum rather than by installments and shall ensure that the enterprise's employees and bank loans are properly treated and dealt with in accordance with applicable PRC laws; and
- (v) the investors in a FIREE shall not in any manner stipulate a fixed return clause or equivalent clause in their joint venture contract or in any other documents.

On 23 May 2007, MOFCOM and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》) which was revised on 28 October 2015 and sets forth the following requirements for approval and supervision of foreign investment in real estate:

- (i) foreign investment in the real estate sector in the PRC relating to high-grade properties will be strictly controlled;
- (ii) to apply for establishment of a real estate company with foreign investments, both the land use right and the ownership for real estate building must have been obtained, or the anticipated grant/purchase agreement for the land use right or real estate building right has been signed and entered into with the land administrative department, land developer or land buildings owner. If the above requirements are failed to be met, the reviewing and approval authorities shall not approve its establishment;
- (iii) entities which have been set up with foreign investment need to obtain approval before they expand their business operations into the real estate sector and entities which have been set up with foreign investment for real estate development operation need to obtain new approval if they are engaged in new real estate development projects;
- (iv) acquisition of domestic real estate entities and foreign investment in the domestic real estate sector (including that with an identical beneficial owner) by way of return investment will be strictly regulated. Foreign investors must not avoid approval procedures by changing beneficial owners of domestic real estate enterprises;

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- (v) parties to real estate entities with foreign investment should not in any way guarantee a fixed investment return or its equivalent;
- (vi) local approval authorities should file the approvals of establishment of foreign investment real estate entities with MOFCOM for their records in a timely manner according to applicable laws;
- (vii) foreign exchange administration authorities and banks authorised to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those that fail to file with MOFCOM; and
- (viii) for those real estate entities with foreign investment which are illegally approved by local authorities for their establishment, (i) MOFCOM should carry out investigation, order punishment and rectification, and (ii) foreign exchange administrative authorities should not carry out foreign exchange registrations for such entities.

Pursuant to the Notice on Further Improving the Recordation of Foreign Investment in Real Estate (《關於進一步改進外商投資房地產備案工作的通知》) jointly issued by MOFCOM and SAFE on 6 November 2015, to further simplify the administration of foreign investment in real estate, the various levels of the local counterparts of MOFCOM shall approve the establishment of and changes to foreign-invested real estate enterprises according to the laws, regulations and relevant rules on foreign investment, and enter the relevant information of the real estate projects in the foreign invested comprehensive administration information system of MOFCOM. The procedure of filing for recordation and publishing on the website of MOFCOM is abolished. After completing the aforesaid procedures, the foreign-invested real estate enterprises may go through the foreign exchange registration under the direct investment item at the bank according to the relevant provisions of the foreign exchange administration.

Administration of qualifications of real estate development enterprise

Under the Development Regulations, the real estate development authorities shall examine applications for registration of qualifications of a real estate development enterprise when it reports its establishment, by considering its assets, professional personnel and business results. A real estate development enterprise shall only undertake real estate development projects in compliance with the approved qualification registration.

In accordance with the Provisions on Administration of Qualifications of Real Estate Development Enterprises (《房地產開發企業資質管理規定》) (“**Provisions on Administration of Qualifications**”) promulgated by MOHURD on 29 March 2000 and revised on 4 May 2015:

- (i) a real estate development enterprise shall apply for registration of its qualifications according to such Provisions. An enterprise may not engage in development and sale of real estate without a qualification classification certificate for real estate development. The construction authority under the State Council oversees the qualifications of real estate development enterprises throughout the country, and the real estate development authority under a local government on or above the county level shall oversee the qualifications of local real estate development enterprises;

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- (ii) real estate development enterprises are classified into four classes. The approval system is tiered, so that confirmation of class 1 qualifications shall be subject to preliminary examination by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of real estate development enterprises of class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government. A real estate development enterprise that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority; and
- (iii) a real estate development enterprise of any qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another classification. A class 1 real estate development enterprise is not restricted as to the scale of real estate project to be developed and may undertake a real estate development project anywhere in the country. A real estate development enterprise of class 2 or lower may undertake a project with a GFA of less than 250,000 square metres and the specific scope of business shall be as confirmed by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government.

Pursuant to the Provisions on Administration of Qualifications, the qualification of a real estate development enterprise should be annually reviewed. The construction authority under the State Council or the entrusted institution is responsible for carrying out the annual review of class 1 real estate development enterprise's qualification. Procedures for annual review of real estate development enterprise of class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government.

Approval on real estate development project

The Development Regulations provide that a real estate development project may be carried out having regard to the overall land use plan, annual construction land schedule, applicable municipal zoning plan and the annual property development scheme. Those projects which should be approved by the planning control authorities in accordance with the relevant rules should also be reported and approved by the planning control authorities and be brought into the annual planning of the investment in fixed assets. Under the State Council's Notice on Stringent Control Over High Class Real Estate Development Projects (《關於嚴格控制高檔房地產開發項目的通知》) issued in May 1995, for a high class real estate project with a GFA of more than 100,000 square metres or total investment of more than RMB200 million or foreign investment of US\$30 million or more, the project proposal and commencement of works shall be subject to approval of the State Development Planning Commission. For a high class real estate project with a GFA of more than 20,000 square metres but less than 100,000 square metres or total investment of more than RMB30 million but less than RMB200 million, the project proposal and commencement of works shall be subject to approval of the Development Planning Commission of the relevant province, autonomous region, municipality directly under the central government or separate-planning city and then a report to the State Development Planning Commission. A high class real estate project with foreign investment of more than US\$100 million is subject to be submitted to the State Council by the State Development Planning Commission for approval.

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Land for real estate development project

As mentioned in the preceding paragraphs, the Urban Real Estate Law and the Development Regulations provide that, except for land use rights which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council, land use rights for a site intended for real estate development shall be obtained through grant. According to the Urban Real Estate Law, the Development Regulations and the Regulations on the Grant of State-owned Construction Land Use Right Through Public Bidding, Auction or Quotation (《招標拍賣掛牌出讓國有建設用地使用權規定》) amended on 28 September 2007 and taking effect on 1 November 2007, State-owned land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC may be granted by the government only through public bidding, auction or quotation.

According to the Measures on Disposal of Idle Land (《閒置土地處置辦法》) enacted and enforced by the MLR on 28 April 1999 and revised on 1 June 2012, land may be classified as idle land under any of the following circumstances: (i) where the development and construction of the state-owned land has not commenced within one year after the time limit prescribed in the land use rights grant contract or allocation decision; or (ii) where the development and construction of the state-owned land has commenced but the development and construction have subsequently been continuously suspended for one year or more without any approval and either (a) the area of which development and construction has commenced is less than one-third of the total area to be developed and constructed, or (b) the invested amount is less than 25% of the total amount of investment. Unless the delay was caused by the government or force majeure, (i) amount of idle land fees for any land left idle for over one year but less than two years shall be equal to 20% of the land premium; (ii) the national construction land use rights of any land left idle for more than two years without commencing construction shall be confiscated without compensation. Land and resources authorities at the municipal or county level are responsible for the investigation, determination and disposal of idle land within their administrative areas, and shall commence investigation and confirmation if they suspect any land to be idle land.

Pursuant to the Circular on Certain Issues Concerning Strengthening Land Supply and Supervision for Real Estate (《國土資源部關於加強房地產用地供應和監管有關問題的通知》) issued by the MLR on 8 March 2010, a real estate development enterprise shall file written reports with the department of land and resources upon the commencement and completion of a project. If the real estate development enterprise fails to commence or complete the construction within the period prescribed in the land grant contract, it shall report the reason for delay to the department of land and resources within 15 days before the end of the period. Any real estate development enterprise which fails to file reports shall be prohibited from acquiring land in the PRC for at least one year.

On 26 January 2011, the General Office of the State Council issued the Notice on Governing the Relevant Issues Further Improvement of the Regulation and Control of Real Estate Market (《國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知》), pursuant to which the censor on the real estate market access qualification and the source of funds of real estate enterprises will be strengthened. If a real estate development enterprise fails to obtain a construction permit and start construction within two years after obtaining the land for real estate, the land use right must be confiscated and an idle land penalty will be imposed as having been idle for over one year.

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Planning of real estate development project

Under the Measures for Control and Administration of Grant and Transfer of Right to Use Urban State-owned Land (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by MOHURD on 4 December 1992 and amended on 26 January 2011, the assignee to a grant contract, i.e. a real estate development enterprise, shall legally apply for a construction land planning permit (建設用地規劃許可證) from the urban planning authority with the grant contract.

For the planning and design proposal in respect of a real estate development project, the relevant report and approval procedures required by the Law of the PRC on Urban and Rural Planning (《中華人民共和國城鄉規劃法》) and local statutes on urban planning must be followed and a construction works planning permit (建設工程規劃許可證) must be obtained from the urban planning authority.

Construction of real estate development project

Before commencing any construction work, a real estate development enterprise shall apply for a construction works commencement permit (建築工程施工許可證) from the housing and urban-rural development authority under the local government at or above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works (2014) (《建築工程施工許可管理辦法(2014)》) promulgated by MOHURD on 25 June 2014 and effective as of 25 October 2014.

Pursuant to the Development Regulations and the Measures for the Administration of the Registration of the Inspection and Acceptance of the Completed Building Construction Works and the Municipal Infrastructure Facilities (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by MOHURD on 7 April 2000 and amended on 19 October 2009 and the Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated by MOHURD on 2 December 2013, after completion of the real estate development project, a real estate development enterprise should apply for the project completion inspection and acceptance to the county level or higher local construction administration authorities. A real estate development project may only be delivered to the buyer after passing the necessary inspection and acceptance, and may not be delivered before the necessary inspection and acceptance is conducted or without passing such an inspection and acceptance. For a housing estate or other building complex project, an inspection and acceptance shall be conducted upon completion of the whole project and where such a project is developed in phases, inspection and acceptance may be carried out for each completed phase. The real estate development enterprise should register the project completion inspection and acceptance within 15 days from passing the inspection and acceptance.

Sales/pre-sales of commodity buildings

Commodity buildings can be sold before or after their completion. These sales are regulated and conducted in accordance with the provisions of the Regulations for the Administration of Sale of Commodity Buildings (《商品房銷售管理辦法》) promulgated by MOHURD on 4 April 2001, the Measures for the Administration of Pre-sale of Urban Commodity Buildings (《城市商品房預售管理辦法》) (“**Pre-sale Regulations**”) amended by MOHURD on 20 July 2004 and in accordance with the Development Regulations. For units of a commodity building sold before completion (“**Pre-sale**”) to occur under the Pre-sale Regulations, a developer must make the necessary pre-sale registration with the real estate development authority of the relevant city or county and obtain a pre-sale permit. Commodity buildings may be put to pre-sale only if certain preconditions are satisfied.

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According to the Property Rights Law of the PRC (《中華人民共和國物權法》), parties can apply for registration of a caveat by agreement in order to ensure that they obtain future property rights. After registration of such caveat, without permission of the persons who enjoy such right of registration of the caveat, any disposal of the relevant real estate shall have no effect to the property rights.

On 13 April 2010, MOHURD issued the Notice on Further Strengthening the Supervision over the Real Estate Market and Improving the Pre-sale System of Commercial Housing (《住房和城鄉建設部關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知》). It provides that, among other things, within 10 days after the real estate development enterprises obtain the pre-sale permit for the project for sale, they shall release the information regarding number of properties allowed for pre-sale under such pre-sale permission and the prices of such mentioned presale units to the public in one time. They shall also sell the properties to the public at the price as published and strictly subject to the pre-sale permits.

Property financing

The PBOC Circular on Further Strengthening the Management of Loans for Property Business (《中國人民銀行關於進一步加強房地產信貸業務管理的通知》) enacted on 5 June 2003 specifies the requirements for banks to provide loans for the purposes of property development as follows:

- (i) The loan by commercial banks to real estate development enterprises shall be granted only under the category of property development loan and it is strictly forbidden to extend such loans as current capital loan for property development project or under any other category. No lending of any type shall be granted to enterprises which have not obtained the State-owned Land Use Rights Certificate, Planning Permit for Construction Land Planning Permit, Construction Works Planning Permit or Construction Works Commencement Permit;
- (ii) Commercial banks shall not grant loans to real estate development enterprise to pay off land premium.

According to the Circular 171, foreign-invested property development enterprises which have not paid up their registered capital fund fully, or failed to obtain the State-owned Land Use Rights Certificate, or have less than 35% of the total investment for the project, will not be allowed to obtain a loan in or outside China, and foreign exchange administration departments shall not approve any settlement of foreign loans by such enterprises. However, the Notice on Adjusting the Admittance and Administration of Foreign Capital in the Real Estate Market abolished the restriction that a foreign invested real estate enterprise must fully pay up its registered capital before (i) obtaining any loan in or outside the PRC; or (ii) settling any foreign loans.

On 27 September 2007, the PBOC and the CBRC jointly issued the Notice on Strengthening the Administration of Commercial Property Credit Loans (《關於加強商業性房地產信貸管理的通知》) which further stipulates stringent requirements that commercial banks shall not issue loans to property development enterprises that are found to be hoarding land and houses for speculative purposes by the competent authority in charge of land and resources and the competent authority in charge of construction; and property development loans issued by commercial banks can only be used for local property development projects and may not be used for property development

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projects of other regions. For loans that indeed need to be used for property development projects in other regions and for which appropriate risk control measures have been taken, the commercial banks shall report to the supervisory agencies before issuing the loans.

Notice of the State Council on Firmly Curbing the Surging Housing Prices in Certain Cities (《國務院關於堅決遏制部分城市房價過快上漲的通知》), which is promulgated and enforced on 17 April 2010, provides that:

- (i) during the land bidding and the process of development and construction by a property development enterprise, its shareholders shall be forbidden from providing loans, sub-loans, guarantee or other relevant financing facilities to it. Commercial banks shall strengthen the pre-issuance examination and post-issuance management for the loans issued for the development of real estate development enterprises; and
- (ii) with regard to real estate development enterprises that have left land idle and are involved in land speculation, the commercial banks shall not issue loans for their new development projects, and the securities regulatory departments shall suspend the approval of their listing, re-financing and material assets restructuring.

On 29 September 2010, the PBOC and the CBRC jointly issued the Notice on Issues Concerning the Improvement of Differential Housing Credit Policies (《中國人民銀行、中國銀行業監督管理委員會關於完善差別化住房信貸政策有關問題的通知》), pursuant to which all commercial banks are required to suspend the granting of loans for new development projects and to suspend the extension of loans to any real estate development enterprise which has left any land idle, changed the uses and nature of land, delayed the commencement of property projects or completion of construction, held back housing units for sale or violated any of laws or regulations.

Property management

According to the Measures for the Administration of Qualifications of Realty Service Enterprises (《物業服務企業資質管理辦法》) (“**Property Management Enterprises Qualification Measure**”) promulgated by the MOHURD on 17 March 2004, as amended on 26 November 2007 and 4 May 2015, a newly established property management enterprise shall, within 30 days from the date of the receipt of its business licence, apply for the property management qualification to the competent real estate administration department of the people’s government of the municipalities directly under the PRC government or cities divided into districts in the locality of its industry and commerce registration. According to the Property Management Enterprises Qualification Measure, the qualifications of a property management enterprise shall be classified into first, second and third classes. For the different classes of the qualification, the Property Management Enterprises Qualification Measure has laid out specific criteria for each class.

If property management enterprises do not obtain the qualification certificates for property management enterprises, or if the projects they undertake exceed the operation scope of their qualification class, the property management enterprises may be ordered to surrender any income unlawfully earned from such activities and pay a fine.

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Austerity measures on the PRC residential real estate industry

Seven departments of the State Council, including the MOHURD, issued the Opinion on Stabilising Housing Prices (《關於做好穩定住房價格工作的意見》) on 30 April 2005. The opinion states, among other things, that:

- (i) local governments should focus on ensuring the supply of low-to-medium-end ordinary residential houses while controlling the construction of low density and high-end residential houses;
- (ii) to curb any speculation in the real estate market, the business tax would be levied from 1 June 2005 on the total revenue arising from any transfer by individuals of residential houses within two years from their purchase thereof or on the difference between the transfer price and the original price for any transfer of non-ordinary houses by individuals after two or more years from their initial purchase thereof; and
- (iii) the real estate registration department will no longer register the transfer of pre-sold houses before the buyers obtain the relevant property ownership certificates.

On 24 May 2006, the General Office of the State Council forwarded the Notice on Adjusting the Housing Structure and Stabilising Housing Prices (《關於調整住房供應結構穩定住房價格意見的通知》). The notice provides for the following broad directives to, among other things:

- (i) encourage mass-market residential developments and curb the development of high-end residential properties;
- (ii) enforce the collection of the 5% business tax on property sales (business taxes shall be levied on the entire sale price of any property sold within five years, or on the profit arising from any property sold after five years subject to possible exemptions for ordinary residential properties);
- (iii) restrict housing mortgage loans to not more than 70% of the total property price (for houses purchased for self-residential purposes and with a GFA of less than 90 sq.m., the owners are still able to apply for a housing mortgage up to an amount representing 80% of the total property price);
- (iv) halt land supply for villa projects and restrict land supply for high-end and low-density residential projects;
- (v) moderate the progress and scale of demolition of old properties for re-development;
- (vi) require local governments to ensure that units of less than 90 sq.m. in size shall account for over 70% of the total development and construction area (with any exceptions requiring the approval of the MOHURD); and
- (vii) prevent banks from providing loans to a property developer whose total capital fund is less than 35% of the total investment amount in an intended development project.

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On 6 July 2006, the MOHURD promulgated certain opinions regarding the Implementation of the Ratio Requirements for the Structure of Newly constructed Residential Units (《關於落實新建住房結構比例要求的若干意見》) (the “**Opinion 165**”). The Opinion 165 stipulate that residential units with a GFA of less than 90 sq. m. shall account for over 70% of the total area of residential units which are newly approved and constructed in each city or county after 1 June 2006. The relevant local government shall have the authority to determine the configuration of newly constructed property. Pursuant to the Opinions on Solving Housing Shortage for Urban Low-income Households (《關於解決城市低收入家庭住房困難的若干意見》) promulgated by the State Council on 7 August 2007, each local authority shall adjust the housing supply structure in order to:

- (i) focus on the development of low-to-medium-priced, and small-to-medium-sized commodity housing; and
- (ii) increase the effective supply of housing.

The approval percentage of new housing construction (with a GFA of less than 90 sq.m.) shall be more than 70% of the total housing development area. The annual supply of low rental housing construction land, economy-sized housing and low-to-medium-priced and small-to-medium-sized commodity housings shall not be less than 70% of the total residential housing land. Pursuant to the Notice on Implementation of the Opinions of the State Council on Solving Housing Shortage for Urban Low-income Households to Further Adjust Land Supply (《關於認真貫徹《國務院關於解決城市低收入家庭住房困難的若干意見》進一步加強土地供應調控的通知》) promulgated by MLR on 30 September 2007 and amended on 3 December 2010, the administration department of the land and resources at municipality or county levels shall give priority to arranging land supply for low rental housing, economy-sized housing and low-to-medium-priced and small-to-medium-sized commodity housing. Their annual supply volume shall not be less than 70% of total residential land supply.

On 7 January 2010, the General Office of the State Council issued the Notice on Promoting the Steady and Healthy Development of the Real Estate Market (《關於促進房地產市場平穩健康發展的通知》), which provides that, among other things, land resource authorities shall strengthen supervision of the compliance of the contracts and strictly collect land premiums according to land grant contracts, and shall:

- (i) effectively increase the supply of social welfare housing and ordinary commodity residential properties, in particular, low-to-medium-priced and small-to-medium-sized ordinary commodity residential properties;
- (ii) direct consumers to make reasonable purchases of residential properties and discourage investment and speculation in the housing market;
- (iii) strengthen credit risk management for real estate projects and market supervision;
- (iv) speed up the construction of social welfare housing projects; and
- (v) setting or clarifying the responsibilities of provincial and local governments.

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On 8 March 2010, the MLR issued the Notice on Strengthening the Supply and Supervision of Land Use for Real Estate Property (《關於加強房地產用地供應和監管有關問題的通知》). The notice, among other things, provides that:

- (i) the land and resources bureaus at city and county levels shall ensure that the land supply for government-subsidised housing, slum-dwellers reconstruction and small commercial housing units for self-housing shall not be less than 70% of the total residential land supply and strictly control the land supply for large-sized apartments and restrict the land supply for villas;
- (ii) land resource authorities shall prohibit property developers who owe land grant premium payments, possess idle land, engage in land speculation and price manipulation, conduct project development exceeding approved scope or fail to conform with the land use rights grant contract from land bidding transactions within a set period of time;
- (iii) the land use rights grant contract shall be signed within ten days after a grant of land has been mutually agreed and a down payment of 50% of the land grant premium shall be paid within one month from the signing of the land use rights grant contract with the remaining amount paid no later than one year after the signing of the land use rights grant contract; and
- (iv) a real estate developer shall file written reports with the department of land and resources upon the commencement and completion of a project. If the real estate developer fails to commence or complete the construction within the period prescribed in the land grant contract, it shall report the reason for delay to the department of land and resources within 15 days before the end of the period. Any real estate developer which fails to file reports shall be prohibited from acquiring land in the PRC for at least one year.

On 21 September 2010, the MLR and the MOHURD jointly promulgated the Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development (《關於進一步加強房地產用地和建設管理調控的通知》), which stipulates, among other things, that:

- (i) at least 70% of land designated for construction of urban housing shall be used for affordable housing, housing for resettlement of shanty towns and small-to-medium-sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small-to-medium-sized, price-capped housing shall be increased;
- (ii) developers and their controlling shareholders are prohibited from participating in land auctions before the rectification of certain misconduct, including (a) illegal transfer of land use rights; (b) land left idle for more than one year due to such developers' own reasons; (c) non-compliance with the land development requirements specified in land grant contracts; and (d) crimes such as obtaining land by forging official documents and illegal land speculation;
- (iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years of commencement;

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- (iv) development and construction of projects of low-density and large-sized housing shall be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects shall be more than one; and
- (v) the grant of two or more bundled parcels of lands and undeveloped land is prohibited.

In December 2010, the MLR promulgated the Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Estate Land and Promotion of the Healthy Development of Land Markets (《關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知》), which, among other things, provides that (i) cities and counties that have less than 70% of their land supply designated for affordable housing, redevelopment housing for shanty towns or small-to-medium-sized residential units shall not provide land for large-sized and high-end housing until the end of 2010; (ii) local land and resources authorities shall file a transaction report with the MLR and provincial land and resources authorities, respectively, in relation to land sold via competitive bidding, auction and listing-for-sale with a 50% or more premium; and (iii) for land designated for affordable housing but used for the development of commodity houses, any illegal income derived therefrom will be confiscated and the relevant land use rights will be revoked. In addition, unapproved changes to the plot ratio are strictly prohibited.

On 26 January 2011, the General Office of the State Council issued the Notice on Issues Concerning Further Improvement of the Control on Real Estate Market (《進一步做好房地產市場調控工作有關問題的通知》). This notice, among other things, provides that:

- (i) individuals selling housing properties within five years of purchase shall be charged business taxes on the full amount of sale price, whether ordinary or non-ordinary;
- (ii) the minimum down payment for second home purchases increases from 50% to 60%;
- (iii) a property developer, who fails to obtain the construction work commencement permit and commence development for more than two years from the commencement date stipulated in the land grant contract, shall forfeit the land use rights and the PRC government shall impose an idle land fee of up to 20% of the land premium on such property developer; and
- (iv) municipalities directly under the central government, municipalities with independent planning status, provincial capitals and cities with high housing prices shall limit the number of homes local residents can purchase in a specific period.

In principle, local resident families that own one house and non-local resident families who can provide local tax clearance certificates or local social insurance payment certificates for a required period are permitted to purchase only one additional house (including newly built houses and second-hand houses). Sales of properties to (i) local resident families who own two houses or more; (ii) non-local resident families who own one house or more; and (iii) non-local resident families who cannot provide local tax clearance certificates or local social insurance payment certificates for a required period shall be suspended in local administrative regions.

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On 25 March 2015, the MLR and the MOHURD jointly promulgated the Circular on Optimising the Land Provision and Using Structure and Promoting the Sound and Steady Growth of the Real Estate Development Industry (《關於優化2015年住房及用地供應結構促進房地產市場平穩健康發展的通知》), which aimed at enhancing the optimisation of the domicile housing model and facilitating the adjustment of the land use structure. The circular stipulates that for commercial housing projects under development, the real estate development companies will be allowed to change the housing model to respond to market conditions and meet housing requirements without changing the nature of the land use right or the mandated planning conditions, including the volume ratio. For development enterprises which have severe violation activities during real property development or transaction and which violate the relevant qualification administration regulations, the land resource authorities may restrict or prohibit them from participating in the bidding of any newly-grant real property use land.

TAX

EIT

The EIT Law provides that:

- (i) a resident enterprise shall pay EIT on its income derived from both inside and outside China where the applicable EIT rate is 25%;
- (ii) for non-resident enterprises with offices or establishments inside China, it shall pay EIT on its income derived from China as well as on income that it earns outside China but which has a real connection with said offices or establishments where the applicable EIT rate is 25%; for non-resident enterprises with no office or establishment inside China, or for non-resident enterprises whose income has no actual connection to its offices or establishment inside China, it shall pay EIT on income derived from China at the EIT rate of 20%.

Pursuant to the Implementation Rules of EIT Law of the PRC (《中華人民共和國企業所得稅法實施條例》) enacted by the State Council on 6 December 2007 and which became effective from 1 January 2008, income derived from PRC which is obtained by a non-resident enterprise with no office or establishment inside China, or for a non-resident enterprise whose income has no actual connection to its institution or establishment inside China shall be taxed at the reduced 10% rate.

Business tax

Pursuant to the Provisional Regulations on Business Tax of the PRC (《中華人民共和國營業稅暫行條例》) enacted by the State Council on 13 December 1993 and enforced on 1 January 1994 and which was later amended on 10 November 2008 and became enforceable on 1 January 2009 and its Implementation Rules on the Provisional Regulations on Business Tax of the PRC (《中華人民共和國營業稅暫行條例實施細則》) issued by the Ministry of Finance (“MOF”) on 25 December 1993 which was later amended on 15 December 2008 (enforceable on 1 January 2009) and again on 28 October 2011 (enforceable on 1 November 2011), the business tax rate for the construction industry, culture and sports industry is 3% and the business tax rate for the recreation industry is 5% — 20%; the business tax rate for the service industry and the transfer of immovable properties, their superstructures and attachments is 5%.

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Value-Added tax

Pursuant to the Notice in Relation to Full Implementation of the Trials of the Replacement of the Business Tax with a Value-added Tax (Cai Shui [2016] No.36) (《關於全面推開營業稅改徵增值稅試點的通知》(財稅〔2016〕36號)) jointly issued by MOF and State Administration of Taxation (“SAT”) on 23 March 2016, the pilot trials of replacing Business tax with a value-added tax (“VAT”) will be launched nationwide from 1 May 2016, under which the construction, real estate, financial services and living services industries will no longer be liable to pay Business tax but will instead be subject to VAT. Pursuant to the Implementation Measures for the Pilot Trials of Replacing Business tax with VAT (《營業稅改徵增值稅試點實施辦法》) (the “**Implementation Measures**”), individuals and units selling service, intangible assets or real estate in PRC shall be regarded as VAT taxpayers and pay VAT instead of Business tax.

The sale of services, intangible assets or real estate hereof means the paid service and the paid transfer of intangible assets or real estate, except for the following non-operational activities:

- (i) governmental funds or administrative fees charged by the administrative units and satisfy the regulations of the Implementation Measures;
- (ii) services provided for units or employers by employees to obtain wages;
- (iii) services provided for employees by units or employers; and
- (iv) other situations stipulated by MOF and SAT.

Under the Implementation Measures, the provision of property management services, agency services, human resource services, educational and medical services, tourism and entertainment services, catering and accommodation services, as well as leasing services will be subject to VAT instead of Business tax.

Furthermore, pursuant to the Implementation Measures, the tax rate of VAT is:

- (i) 11% for the provision of the service of transportation, posting, basic telecommunications and leasing real estate, the sale of real estate and the transfer of land use right;
- (ii) 17% for the provision of the services of leasing tangible movables;
- (iii) 0% for cross-border taxable activities provided by units and individual within the PRC; and
- (iv) 6% other than disclosed above.

REGULATORY OVERVIEW

In addition, pursuant to the Interim Measures for the Collection and Administration of VAT on the Provision of Real Estate Operational Leasing Services by Taxpayers (《納稅人提供不動產經營租賃服務增值稅徵收管理暫行辦法》) issued on 31 March 2016 by SAT, VAT will be levied on a taxpayer who is engaged in the business of leasing the its real estate, among which:

- (A) for general taxpayers:
 - (i) where the real estate was acquired on or before 30 April 2016, the simplified method for calculating tax shall apply and tax would be payable at a rate of 5%; and
 - (ii) where the real estate was acquired after 1 May 2016, the general method for calculating tax shall apply and tax would be prepaid at a rate of 3%; and
- (B) for small-scale taxpayers:
 - (i) unit and individual businesses which lease real estate (excluding residential property) shall be taxed at a rate of 5%. Individual businesses which lease residential property shall be taxed at the lowered rate of 1.5%; and
 - (ii) individuals who lease real estate (excluding residential property) shall be taxed at a rate of 5%. Other individuals who lease residential properties shall be taxed at the lowered rate of 1.5%.

LAT

According to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例》), which was enacted on 13 December 1993 and amended on 8 January 2011, LAT shall be subject to a regime of four progressive rates: 30% on the amount of appreciation not exceeding 50% of the sum of deductible items; 40% on the amount of appreciation exceeding 50% but not exceeding 100% of the sum of deductible items; 50% on the amount of appreciation exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% on the amount of appreciation exceeding 200% of the sum of deductible items.

Deed tax

Pursuant to the Provisional Regulations on Deed Tax of the PRC (《中華人民共和國契稅暫行條例》) enacted by the State Council on 7 July 1997 and enforced on 1 October 1997, the transferee, whether an entity or individual, of the title to a land site or building in the PRC shall pay deed tax. The rate of deed tax is 3% to 5%.

Urban land use tax

Pursuant to the Provisional Regulations Governing Land Use Tax in Cities and Towns of the PRC (2006 Revision) (《中華人民共和國城鎮土地使用稅暫行條例(2006年修訂)》) was promulgated by the State Council on 31 December 2006 and newly amended on 7 December 2013, under which the urban land use tax rates are as follows:

- (i) between RMB1.5 per sq.m. and RMB30 per sq.m. in large cities;

REGULATORY OVERVIEW

- (ii) between RMB1.2 per sq.m. and RMB24 per sq.m. in medium cities;
- (iii) between RMB0.9 per sq.m. and RMB18 per sq.m. in small cities; and
- (iv) between RMB0.6 per sq.m. and RMB12 per sq.m. in county towns, towns/bases operated under an organisational system, and industrial and mining districts.

Property tax

Under the Provisional Regulations on Property Tax of the PRC (《中華人民共和國房產稅暫行條例》) enacted by the State Council on 15 September 1986 and amended on 8 January 2011, property tax rate shall be 1.2% if it is calculated on the basis of the residual value of a property, and 12% if it is calculated on the basis of the rental.

Stamp duty

Under the Provisional Regulations on Stamp Duty of the PRC (《中華人民共和國印花稅暫行條例》) enacted by the State Council on 6 August 1988 and enforced on 1 October 1988 and amended on 8 January 2011, for property rights transfer instruments, including those in respect of property ownership transfer, the rate of stamp duty shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including Realty Title Certificates and Land Use Rights Certificates, stamp duty shall be levied on an item basis of RMB5 per item.

ENVIRONMENTAL PROTECTION

The main laws and regulations governing environmental protection in China include the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law on Prevention and Control of Water Pollution of the PRC (《中華人民共和國水污染防治法》), the Prevention and Control of the Solid Waste Pollution Law of the PRC (《中華人民共和國固體廢物污染環境防治法》), the Prevention and Control of Noise Pollution Law of the PRC (《中華人民共和國環境噪聲污染防治法》), the Prevention and Control of Atmospheric Pollution Law of the PRC (《中華人民共和國大氣污染防治法》), the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), the Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》) and the Provisions on the Inspection and Acceptance of Environmental Protection of Construction Projects (《建設項目竣工環境保護驗收管理辦法》). According to these laws and regulations, depending on the impact on the environment made by the project, an environmental impact report, an environmental impact analysis table or an environmental impact registration form must be submitted by the developer before the relevant authorities grant approval for the commencement of construction. In addition, upon completion of the real property development, the relevant environmental authorities will inspect the properties to ensure the compliance with the applicable environmental protection standards and regulations before the properties can be delivered to the purchasers.

With regard to enterprises violating the aforesaid laws, the relevant environmental protection authorities may impose administrative penalties on them in accordance with laws and regulations. Any enterprise that has caused an environmental pollution hazard shall be responsible for eliminating it and compensating the entities or individuals directly damaged.

HISTORY, REORGANISATION AND GROUP STRUCTURE

OUR HISTORY

The history of our Group can be traced back to 2001 when Mr. Hon established our first operating subsidiary, Guangdong Gudou. The background information and relevant industry experience of Mr. Hon are set out in the section headed “Directors, senior management and employees” of this prospectus. Our *Gudou Hot Spring Valley*, at which our hot spring facilities are principally located, and *Holiday Lakeview Hotel*, were first introduced in our *Gudou Hot Spring Resort* in 2003. In 2006, we completed the construction of our first tourism property development project, namely *South Asian Villas*. As at the Latest Practicable Date, we (i) operate and manage hot spring resort and hotel facilities at our *Gudou Hot Spring Resort*; and (ii) develop and sell tourism properties located at our *Gudou Hot Spring Resort*.

Business development

The following table sets out the key milestones of our Group:

Year	Event
2003	Our <i>Gudou Hot Spring Resort</i> comprising <i>Gudou Hot Spring Valley</i> , <i>Holiday Lakeview Hotel</i> and <i>Royal Spa Hotel</i> commenced operations
2005	Our <i>Gudou International Conference Centre</i> in our <i>Gudou Hot Spring Resort</i> commenced operations We were accredited by the National Tourist Attraction Quality Rating Committee* (全國旅遊景區質量等級評定委員會) as a National Tourist Attraction — Grade AAAA*(國家AAAA級旅遊景區) Our <i>Hot Spring Villa Hotel</i> commenced operations
2006	We completed the construction of our first tourism property development project, <i>South Asian Villas</i>
2007	We launched our <i>Natural Spring Waterpark</i> and were awarded the Gold Award for Gourmet* (精品美食金獎) by the Tourism Bureau of Jiangmen City* (江門市旅遊局)
2008	We completed the construction of our second tourism property development project, <i>Baden Town Villas</i>
2009	We were awarded the China Hotel Starlight Award — Top 10 Hot Spring Resorts of China 2009 (中國十佳溫泉度假酒店) by the Judging Committee of China Hotel Starlight Awards (中國酒店星光獎評審委員會), accredited as the Natural Tourism Demonstration Base* (國民旅遊休閒示範單位) by the Tourism Administration of Guangdong Province (廣東省旅遊局) and the Best Catering Unit in Jiangmen* (江門餐飲最佳接待單位) by the Tourism Bureau of Jiangmen City*, Jiangmen WuYi Catering Service Association* (江門市旅遊局·江門五邑餐飲行業協會)

HISTORY, REORGANISATION AND GROUP STRUCTURE

Year	Event
2010	We were accredited as the Hot Spring Tourism Demonstration Base of Guangdong Province* (廣東省溫泉旅遊示範基地) by the Tourism Administration of Guangdong Province (廣東省旅遊局)
2013	We were accredited as the Sports Tourism Demonstration Base of Guangdong Province (廣東省體育旅遊示範基地) by the Sports Bureau of Guangdong Province, Tourism Administration of Guangdong Province* (廣東省體育局, 廣東省旅遊局)
2014	We completed the construction of our third tourism property development project, <i>Mountain Seaview Vacation Apartments</i>
2016	We were recognised as the Best Tourism Real Estate Project (最佳旅遊地產項目) by House QQ.com We completed the construction of our fourth tourism property development project, <i>Joyful Apartments</i>

Corporate history

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 10 January 2014. Pursuant to the special resolution duly passed by our Shareholders on 26 October 2015, we changed our name from Gudou International Holdings Limited (古兜國際控股有限公司) to Gudou Holdings Limited (古兜控股有限公司).

Before the commencement of the Reorganisation, Mr. Hon held, through View Top, the entire interest in Guangdong Gudou which in turn held five subsidiaries in the PRC, namely (i) Jiangmen Gudou Management, (ii) Jiangmen Gudou Development, (iii) Yueguangqu Entertainment, (iv) Weisheng Investment; and (v) Zhengming Property Management. Pursuant to the Reorganisation as more particularly described in the paragraph headed “Reorganisation” below in this section, our Company has become the holding company of our Group for the purpose of the Listing.

Set out below is the corporate history of our major subsidiaries.

View Top

View Top was incorporated in Hong Kong on 3 October 2000 with limited liability, with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares with a par value of HK\$1.00 each. As at the date of incorporation, 9,000 shares and 1,000 shares were allotted and issued at par to Mr. Hon and Mrs. Hon, respectively.

In order to consolidate control in View Top, on 13 December 2011, Mr. Hon acquired 1,000 shares from Mrs. Hon at par. The consideration for the above transfer was fully settled on 13 December 2011. Upon completion of the above transfer and immediately before the Reorganisation, Mr. Hon owned the entire issued share capital of View Top.

View Top is an investment holding company.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Guangdong Gudou

Guangdong Gudou is our first operating subsidiary. It was initially established in the PRC as a Sino-foreign cooperative joint venture between View Top and Gudou Hydropower Plant, a collectively-owned enterprise (集體所有制企業) in the PRC and an Independent Third Party, with the name “廣東省新會古兜溫泉旅遊度假邨有限公司 (Guangdong Province Xinhui Gudou Hot Spring Resort Company Limited*)” in 2001. Guangdong Gudou was subsequently converted into a wholly foreign-owned enterprise in 2005.

Pursuant to the Approval on the Sino-Foreign Cooperative Joint Venture of Gudou Hot Spring Resort (Xin Ji Zong [2001] No. 16)* (關於中外合作開發經營新會古兜旅遊度假邨項目立項批覆) (新計綜[2001] 16號) issued by Xinhui City Planning Bureau* (新會市計畫局) (currently known as the Development and Reform Bureau of Xinhui District, Jiangmen City* (江門市新會區發展和改革局)) dated 12 October 2001, the cooperative joint venture arrangement between View Top and Gudou Hydropower Plant was approved to enhance the investment landscape, flourish the economy and stimulate the growth of tourism business in Xinhui District.

On 16 October 2001, the Introduction of Foreign Investment Office of Xinhui City* (新會市引進外資工作辦公室) issued the Approval on the Cooperative Joint Venture in relation to Guangdong Province Xinhui Gudou Hot Spring Resort Company Limited (Xin Yin Jin Zi [2001] No. 159)* (關於合作經營廣東省新會古兜溫泉旅遊度假邨有限公司的批覆) (新引進資[2001] 159號) to approve, among other things, the articles of association of Guangdong Gudou and the following: (i) the contribution of the entire registered capital of Guangdong Gudou of US\$12,000,000 by View Top by way of cash for infrastructure and development, acquisition of the certain existing facilities of Gudou Hydropower Plant and purchase of equipment and facilities, etc; (ii) the investment of Gudou Hydropower Plant in Guangdong Gudou by way of intangible assets such as its existing tourism and hot spring resources; and (iii) the entitlement of Gudou Hydropower Plant to receive a fixed distribution of US\$50,000 per year.

On 25 October 2001, Guangdong Gudou was established with an initial total investment amount of US\$28,000,000 and registered capital of US\$12,000,000, which was to be solely contributed by View Top pursuant to its articles of association. Guangdong Gudou obtained its business licence on 25 October 2001 and the initial term of business operation of Guangdong Gudou was from 25 October 2001 to 24 October 2041.

On 15 December 2005, View Top and Gudou Hydropower Plant entered into an agreement pursuant to which Gudou Hydropower Plant agreed to withdraw its investment in Guangdong Gudou at nil consideration. On 21 December 2005, the total investment amount and registered capital of Guangdong Gudou was registered to increase from US\$28,000,000 to US\$48,000,000 and from US\$12,000,000 to US\$22,000,000 respectively by Administration for Industry and Commerce of Jiangmen City (江門市工商行政管理局) (“**Jiangmen AIC**”). Furthermore, the term of operation of Guangdong Gudou was registered to extend from 40 years to 50 years. Upon termination of the cooperative joint venture, Guangdong Gudou obtained approval from the Bureau of Foreign Trade and Economic Cooperation of Xinhui District of Jiangmen City* (江門市新會區對外貿易經濟合作局) (now known as the Economic Information and Business Bureau of Xinhui District of Jiangmen City* (江門市新會區經濟信息和商務局)) to convert itself from a cooperative joint venture into a wholly foreign-owned enterprise in December 2005. As at the Latest Practicable Date, View Top had paid up US\$12,437,431 of the registered capital of Guangdong Gudou. On 11 May 2016, View Top was permitted to pay up the rest of the registered capital of Guangdong Gudou of US\$9,562,569 by 31 December 2018 by the Economic Information and Business Bureau of Xinhui District of Jiangmen City.

HISTORY, REORGANISATION AND GROUP STRUCTURE

On 21 December 2005, Guangdong Gudou obtained a new business licence for a term of business operation from 25 October 2001 to 24 October 2051.

On 3 November 2011, Guangdong Gudou was renamed as “Guangdong Gudou Travel Group Company Limited* (廣東古兜旅遊集團有限公司)”.

As at the Latest Practicable Date, Guangdong Gudou was wholly-owned by View Top.

The principal business activities of Guangdong Gudou include development of tourism projects such as hot springs and waterpark, tourism, catering, development, operation and sales of real estate, lease management of real properties, foot massage, massage and public bathrooms.

Jiangmen Gudou Management

On 20 May 2011, Jiangmen Gudou Management was established in the PRC as a limited liability company with an initial registered capital of RMB1,000,000. As at the date of establishment, Jiangmen Gudou Management was owned as to 70% by Guangdong Gudou and 30% by the late Mr. Liao Guojian, a former executive Director who passed away on 10 October 2014. The initial registered capital of Jiangmen Gudou Management was fully paid up on 28 April 2011.

On 8 August 2011, in order to make further investment and expand the existing business, Guangdong Gudou and the late Mr. Liao Guojian as the shareholders of Jiangmen Gudou Management resolved to increase the registered capital of Jiangmen Gudou Management from RMB1,000,000 to RMB15,000,000 by way of capital injection of RMB14,000,000 by Guangdong Gudou. Upon completion of the above increase in the registered capital, Jiangmen Gudou Management was owned as to 98% by Guangdong Gudou and 2% by the late Mr. Liao Guojian. The increased registered capital of Jiangmen Gudou Management was fully paid up by Guangdong Gudou as at 16 August 2011.

In order to consolidate control in Jiangmen Gudou Management, on 9 September 2011, Guangdong Gudou entered into an equity transfer agreement with the late Mr. Liao Guojian pursuant to which Guangdong Gudou acquired the late Mr. Liao Guojian’s 2% interest in Jiangmen Gudou Management for a consideration of RMB300,000. The consideration for the above transfer was determined with reference to the registered capital of Jiangmen Gudou Management and was fully settled on 30 October 2014. Upon completion of the above transfer, Jiangmen Gudou Management was wholly-owned by Guangdong Gudou. Our PRC Legal Advisers have confirmed that the legal procedure of the above transfer has been properly and legally completed.

The principal business activities of Jiangmen Gudou Management include hotel management services, hotel management advisory services, development and expansion of hot springs and waterpark, leasing of sports venues, lease management of real properties, foot massage, health care massage services and retail of pre-packaged food, food in bulk and cigarettes.

Jiangmen Gudou Development

On 7 March 2012, Jiangmen Gudou Development was established in the PRC as a limited liability company with an initial registered capital of RMB1,000,000. As at the date of establishment, Jiangmen Gudou Development was wholly-owned by Guangdong Gudou. The initial registered capital of Jiangmen Gudou Development was fully paid up on 1 March 2012.

HISTORY, REORGANISATION AND GROUP STRUCTURE

On 22 May 2012, Guangdong Gudou as the sole shareholder of Jiangmen Gudou Development resolved to increase the registered capital of Jiangmen Gudou Development from RMB1,000,000 to RMB10,000,000. The increased registered capital of Jiangmen Gudou Development was fully paid up on 1 June 2012.

The principal business activities of Jiangmen Gudou Development include development and operation of tourism projects.

Yueguangqu Entertainment

On 24 January 2006, Yueguangqu Entertainment was established in the PRC as a limited liability company with an initial registered capital of RMB500,000. As at the date of establishment, Yueguangqu Entertainment was owned as to 99% by Guangdong Gudou and 1% by Gudou Hydropower Plant, an Independent Third Party. The initial registered capital of Yueguangqu Entertainment was fully paid up as at 11 January 2006.

The principal business of Yueguangqu Entertainment is the karaoke business.

Weisheng Investment

On 28 October 2009, Weisheng Investment was established in the PRC as a limited liability company with an initial registered capital of RMB500,000. As at the date of establishment, Weisheng Investment was owned as to 98% by Guangdong Gudou and 2% by Ms. Huang Jieming, an Independent Third Party. The initial registered capital of Weisheng Investment was fully paid up as at 21 October 2009.

On 20 September 2010, Guangdong Gudou and Ms. Huang Jieming as the shareholders of Weisheng Investment resolved to increase the registered capital of Weisheng Investment from RMB500,000 to RMB15,000,000. The increased registered capital of Weisheng Investment was fully paid up on 9 October 2010.

The principal business of Weisheng Investment is property management.

Zhengming Property Management

On 6 January 2012, Zhengming Property Management (then known as Jiangmen City Gudou Property Management Company Limited* (江門市古兜物業管理有限公司)) was established in the PRC as a limited liability company with an initial registered capital of RMB500,000. As at the date of establishment, Zhengming Property Management was wholly-owned by Guangdong Gudou. The initial registered capital of Zhengming Property Management was fully paid up as at 26 December 2011.

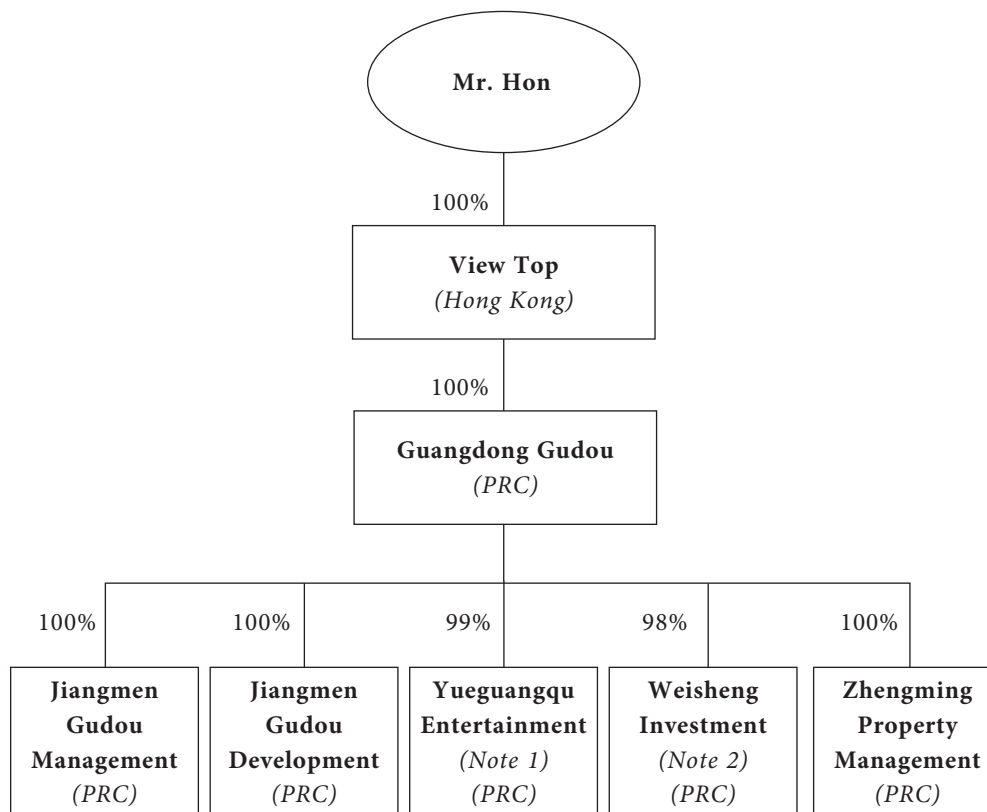
Immediately before the disposal of Zhengming Property Management by Guangdong Gudou as part of the Reorganisation in May 2013, the principal business of Zhengming Property Management was the provision of housekeeping services for the hotels in our *Gudou Hot Spring Resort*.

HISTORY, REORGANISATION AND GROUP STRUCTURE

REORGANISATION

In May 2013, we commenced the Reorganisation in preparation for the Listing.

The following chart sets out our Group's corporate and shareholding structure immediately before the Reorganisation:



Notes:

1. The remaining 1% equity interest in Yueguangqu Entertainment was held by Gudou Hydropower Plant, an Independent Third Party.
2. The remaining 2% equity interest in Weisheng Investment was held by Ms. Huang Jieming, an Independent Third Party.

(1) Disposal of Zhengming Property Management

In order to streamline our business model, Guangdong Gudou entered into an equity transfer agreement on 7 May 2013 and a supplemental equity transfer agreement on 31 May 2013 with Ms. Huang Jieming, pursuant to which Guangdong Gudou disposed of its 100% interest in Zhengming Property Management to Ms. Huang Jieming for a consideration of RMB500,000. The consideration for the above transfer was determined with reference to the registered capital of Zhengming Property Management and was fully settled on 5 March 2015. Upon completion of the above transfer, Zhengming Property Management ceased to be a subsidiary of our Group. On 8 May 2013, Administration for Industry and Commerce of Jiangmen City, Xinhui Branch (江門市工商行政管理局新會分局) (“Xinhui AIC”) registered the above transfer and the change of company name of Zhengming Property Management from Jiangmen City Gudou Property Management Company Limited* (江門市古兜物業管理有限公司) to its current name. Our PRC Legal Advisers have confirmed that the legal procedure of the above transfer has been properly and legally completed.

HISTORY, REORGANISATION AND GROUP STRUCTURE

(2) Acquisition of 2% equity interest in Weisheng Investment

In order to consolidate the control of Weisheng Investment, Guangdong Gudou entered into an equity transfer agreement on 10 October 2013 and a supplemental equity transfer agreement on 21 October 2013 to acquire 2% equity interest in Weisheng Investment from Ms. Huang Jieming at the consideration of RMB260,670, which was determined with reference to the net asset value of Weisheng Investment as at 31 December 2012. Upon completion of the above transfer, Weisheng Investment became a wholly-owned subsidiary of Guangdong Gudou. On 22 October 2013, Administration for Industry and Commerce of Jiangmen City, Pengjiang Branch (江門市工商行政管理局蓬江分局) (“**Pengjiang AIC**”) registered the above transfer. Our PRC Legal Advisers have confirmed that the legal procedure of the above transfer has been properly and legally completed.

(3) Incorporation of investment vehicle by Mr. Hon

Harvest Talent was incorporated in the BVI on 7 November 2013 as the investment vehicle of Mr. Hon. Upon its incorporation, Harvest Talent was authorised to issue up to a maximum of 50,000 ordinary shares of a single class without par value. On 27 December 2013, Harvest Talent allotted and issued one share to Mr. Hon, credited as fully paid. Upon completion of the above allotment, Harvest Talent was beneficially and wholly-owned by Mr. Hon.

(4) Transfer of 1% equity interest in Yueguangqu Entertainment

On 11 November 2013, the late Mr. Liao Guojian signed a share transfer agreement to acquire 1% equity interest in Yueguangqu Entertainment for a consideration of RMB5,000 from Gudou Hydropower Plant. The consideration for the above transfer was determined with reference to the registered capital of Yueguangqu Entertainment and was fully settled on 10 March 2014. Upon completion of the above transfer, Yueguangqu Entertainment was owned as to 99% by Guangdong Gudou and 1% by the late Mr. Liao Guojian. On 20 November 2013, Xinhui AIC registered the above transfer. Our PRC Legal Advisers have confirmed that the legal procedure of the above transfer has been properly and legally completed.

(5) Incorporation of our Company

Our Company was incorporated in the Cayman Islands on 10 January 2014 to be the ultimate holding company of our Group. The initial authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each.

On 10 January 2014, one nil paid Share was issued to Reid Services Limited as the initial subscriber and such nil paid Share was subsequently transferred to Harvest Talent on the same day. Upon completion of the above transfer, Harvest Talent became the sole shareholder of our Company.

HISTORY, REORGANISATION AND GROUP STRUCTURE

(6) Incorporation of Gudou Wonderland

Gudou Wonderland was incorporated in the BVI on 21 February 2014 as an intermediate holding company of our Group. Upon its incorporation, Gudou Wonderland was authorised to issue up to a maximum of 50,000 ordinary shares of a single class without par value. On 21 February 2014, Gudou Wonderland allotted and issued one share to our Company, nil paid. Upon completion of the above allotment, Gudou Wonderland became a wholly-owned subsidiary of our Company.

(7) Acquisition of View Top by Gudou Wonderland

On 11 September 2014, Mr. Hon, Harvest Talent, Gudou Wonderland and our Company entered into a share swap agreement pursuant to which Mr. Hon sold to Gudou Wonderland, and Gudou Wonderland purchased from Mr. Hon, the entire issued share capital of View Top, in consideration of (a) the crediting as fully paid up the initial one nil paid ordinary share of Gudou Wonderland registered in the name of our Company; (b) the crediting as fully paid at par the initial one nil paid Share registered in the name of Harvest Talent; and (c) the allotment and issue by our Company of 34,959,999 Shares, all credited as fully paid at par and carrying the same rights in all respects with the existing issued Share, to Harvest Talent. Upon completion of the above transfer, our Company held the entire issued share capital of View Top through Gudou Wonderland. The above transfer has been legally and properly completed and settled.

(8) Transfer of 1% equity interest in Yueguangqu Entertainment to Guangdong Gudou

Following Mr. Liao Guojian's death on 10 October 2014, Ms. Fang Bixia, the legal successor of the late Mr. Liao Guojian, signed an equity transfer agreement on 8 December 2014 to transfer 1% equity interest in Yueguangqu Entertainment for a consideration of RMB5,000 to Guangdong Gudou. The consideration for the above transfer was determined with reference to the registered capital of Yueguangqu Entertainment and was fully settled on 12 February 2015. Upon completion of the above transfer, Yueguangqu Entertainment became a wholly-owned subsidiary of Guangdong Gudou. On 10 December 2014, Xinhui AIC registered the above transfer. Our PRC Legal Advisers have confirmed that, the aforesaid transfer was legal and valid and that the legal procedure of the transfer has been properly and legally completed.

(9) Disposal of Weicheng Business Service

On 13 June 2014, Weicheng Business Service was established in the PRC as a limited liability company with an initial registered capital of RMB500,000. As at the date of establishment, Weicheng Business Service was wholly-owned by Guangdong Gudou. The initial registered capital of Weicheng Business Service was fully paid up as at 1 December 2014.

Immediately before the disposal of Weicheng Business Service by Guangdong Gudou as part of the Reorganisation in January 2015, the principal business of Weicheng Business Service was the provision of conference and exhibition service and organisation of promotional events.

HISTORY, REORGANISATION AND GROUP STRUCTURE

In order to streamline our corporate structure, Guangdong Gudou entered into an equity transfer agreement on 9 January 2015 with Jiangmen Jingteng Business Service Company Limited* (江門景騰商務服務有限公司) (“**Jiangmen Jingteng**”), a company indirectly wholly-owned by Mr. Hon, pursuant to which Guangdong Gudou disposed of its 100% interest in Weicheng Business Service to Jiangmen Jingteng, for a consideration of RMB500,000. The consideration for the above transfer was determined with reference to the registered capital of Weicheng Business Service and was fully settled on 16 February 2015. Upon completion of the above transfer, Weicheng Business Service ceased to be a subsidiary of our Group. On 26 January 2015, Pengjiang AIC registered the above transfer. Our PRC Legal Advisers have confirmed that the legal procedure of the above transfer has been properly and legally completed.

PRE-IPO INVESTMENTS

(A) Subscription of Shares and provision of term loan from Fu An

Subscription of Shares

On 5 September 2014, our Company, Mr. Hon, Harvest Talent and Fu An entered into a share subscription agreement (“**Fu An Subscription Agreement**”). Pursuant to the Fu An Subscription Agreement, among other things, our Company shall allot and issue to Fu An (or its nominee), and Fu An (or its nominee) shall subscribe for from our Company, 3,040,000 Shares (“**Fu An Shares**”) at the subscription price of HK\$35,200,000, which was irrevocably settled and paid in full on 17 September 2014. On 17 September 2014, the Fu An Shares were allotted and issued to the nominee of Fu An, Wealth Promise, pursuant to the Fu An Subscription Agreement.

In consideration of Fu An entering into the Fu An Subscription Agreement, our Company as grantor, Fu An, Wealth Promise as grantee and Mr. Hon as guarantor entered into a put option deed on 17 September 2014, which was amended by a deed of amendment dated 15 March 2016 (“**Fu An Put Option Deed**”). Pursuant to the Fu An Put Option Deed, our Company granted to Wealth Promise, acting as the duly appointed nominee of Fu An, the put option to require our Company to purchase the Fu An Shares from Wealth Promise, at any time during a period of 6 months from the date of expiry of 42 months immediately after the date of the Fu An Put Option Deed, at the option purchase price upon the terms and subject to the conditions thereof, only if the listing of all of the Shares on the Main Board or GEM does not take place within 18 months from the date of the Fu An Put Option Deed. The put option is not exercisable in any other event. For the purposes of the Fu An Put Option Deed, the option purchase price was agreed to be calculated in accordance with the following formula:

$$\text{HK\$35,200,000} + \text{HK\$35,200,000} \times 15\% \times (A/365)$$

whereas:

“A” is the number of days counting from and inclusive of the date of the Fu An Put Option Deed to the date of the notice to be given by Wealth Promise of the exercise of the put option.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Term loan

On 5 September 2014, Fu An as the lender, View Top as the borrower, Mr. Hon and our Company as guarantors entered into an agreement (which was supplemented by a deed of confirmation dated 2 March 2016) (“**Fu An Loan Agreement**”) relating to a loan in the principal amount of HK\$30,000,000 for a term of 42 months starting from the date of the Fu An Loan Agreement (“**Fu An Loan**”). Pursuant to the Fu An Loan Agreement among other things, Fu An shall make available to View Top the Fu An Loan for the purpose of providing working capital to View Top and for the repayment of its existing shareholder’s loan only, subject to and upon the terms and conditions therein. Advancement of the Fu An Loan was made on 14 October 2014 and View Top had used the sum advanced partially for repayment of the amount due to Mr. Hon and partially as general working capital of View Top. Pursuant to the Fu An Loan Agreement, interest on the Fu An Loan or any outstanding balance of it shall be charged at the rate of 15% per annum, and shall start to accrue from the date of disbursement of the Fu An Loan (inclusive of the date of its disbursement).

Our Directors confirm that we will repay the Fu An Loan in full upon the Listing with part of the proceeds from the Placing.

(B) Acquisition of Shares from Harvest Talent by Dynasty Fortune and provision of term loan from Dynasty Fortune

Acquisition of Shares

On 5 September 2014, Mr. Hon, Harvest Talent, and Dynasty Fortune entered into a share purchase agreement (“**Dynasty Fortune Share Purchase Agreement**”). Pursuant to the Dynasty Fortune Share Purchase Agreement, among other things, Harvest Talent shall sell to Dynasty Fortune (or its nominee), and Dynasty Fortune (or its nominee) shall purchase from Harvest Talent 4,560,000 Shares (“**DF Shares**”) at the purchase price of HK\$52,800,000, which was irrevocably settled and paid in full on 25 September 2014. On 26 September 2014, the DF Shares were transferred to the nominee of Dynasty Fortune, DF Tourism, pursuant to the Dynasty Fortune Share Purchase Agreement. Our Group did not receive any proceeds in connection with the sale of the DF Shares given that our Group was not a party to the Dynasty Fortune Share Purchase Agreement.

In consideration of Dynasty Fortune entering into the Dynasty Fortune Share Purchase Agreement, our Company as grantor, DF Tourism as grantee, Dynasty Fortune, and Mr. Hon as guarantor entered into a put option deed on 19 September 2014, which was amended by a deed of amendment dated 15 March 2016 (“**DF Put Option Deed**”). Pursuant to the DF Put Option Deed, our Company granted to DF Tourism, acting as the duly appointed nominee of Dynasty Fortune, the put option to require our Company to purchase the DF Shares from DF Tourism, at any time during a period of 6 months from the date of expiry of 42 months immediately after the date of the DF Put Option Deed, at the option purchase price upon the terms and subject to the conditions thereof, only if the listing of all of the Shares on the Main Board or GEM does not take place within 18 months from the date of the DF Put Option Deed. The put option is not exercisable in any other event. For the purposes of the DF Put Option Deed, the option purchase price was agreed to be calculated in accordance with the following formula:

$$\text{HK\$52,800,000} + \text{HK\$52,800,000} \times 15\% \times (A/365)$$

HISTORY, REORGANISATION AND GROUP STRUCTURE

whereas:

“A” is the number of days counting from and inclusive of the date of the DF Put Option Deed to the date of the notice to be given by DF Tourism of the exercise of the put option.

By a deed of tax indemnity dated 19 September 2014 (“**DF Tax Indemnity**”), Mr. Hon has covenanted with Dynasty Fortune and our Group to indemnify and keep indemnified Dynasty Fortune and our Group against any and all losses, damages, costs, expenses, penalties and interest paid, suffered or incurred by Dynasty Fortune and/or all or any member of our Group (including any payment made or required to be made by Dynasty Fortune and/or all or any member of our Group) as a result of or in connection with any claim (as defined therein) relating to taxation arising out of the sale and purchase of the DF Shares made against all or any member of our Group.

Term loan

On 5 September 2014, Dynasty Fortune as the lender, View Top as the borrower, Mr. Hon and our Company as guarantors entered into an agreement (which was supplemented by a deed of confirmation dated 2 March 2016) (“**Dynasty Fortune Loan Agreement**”) relating to a loan in the principal amount of HK\$30,000,000 for a term of 42 months starting from the date of the Dynasty Fortune Loan Agreement (“**DF Loan**”). Pursuant to the Dynasty Fortune Loan Agreement, among other things, Dynasty Fortune shall make available to View Top the DF Loan for the purpose of providing working capital to View Top and for the repayment of its existing shareholder’s loan only, subject to and upon the terms and conditions therein. Advancement of the DF Loan was made on 4 November 2014 and View Top had used the sum advanced partially for repayment of the amount due to Mr. Hon and partially as general working capital of View Top. Pursuant to the Dynasty Fortune Loan Agreement, interest on the DF Loan or any outstanding balance of it shall be charged at the rate of 15% per annum, and shall start to accrue from the date of disbursement of the DF Loan (inclusive of the date of its disbursement).

Our Directors confirm that we will repay the DF Loan in full upon the Listing with part of the proceeds from the Placing.

(C) Acquisition of Shares from Harvest Talent by Grand Luck

On 5 September 2014, Mr. Hon, Harvest Talent, and Grand Luck entered into a share purchase agreement (“**Grand Luck Share Purchase Agreement**”). Pursuant to the Grand Luck Share Purchase Agreement, among other things, Harvest Talent shall sell to Grand Luck (or its nominee), and Grand Luck (or its nominee) shall purchase from Harvest Talent, 1,900,000 Shares (“**Grand Luck Shares**”) at the purchase price of HK\$22,000,000, which was irrevocably settled and paid in full on 10 December 2014. On 12 December 2014, the Grand Luck Shares were transferred to Grand Luck, pursuant to the Grand Luck Share Purchase Agreement. Our Group did not receive any proceeds in connection with the sale of the Grand Luck Shares given that our Group was not a party to the Grand Luck Share Purchase Agreement.

In consideration of Grand Luck entering into the Grand Luck Share Purchase Agreement, our Company as grantor, Grand Luck as grantee, and Mr. Hon as guarantor entered into a put option deed on 12 December 2014, which was amended by a deed of amendment dated 15 March 2016 (“**GL Put Option Deed**”). Pursuant to the GL Put Option Deed, our Company granted to Grand Luck, the put option to require our Company to purchase the Grand Luck Shares from Grand Luck, at any time during a period of 6 months

HISTORY, REORGANISATION AND GROUP STRUCTURE

from the date of expiry of 42 months immediately after the date of the GL Put Option Deed, at the option purchase price upon the terms and subject to the conditions thereof, only if the listing of all of the Shares on the Main Board or GEM does not take place within 18 months from the date of the GL Put Option Deed. The put option is not exercisable in any other event. For the purposes of the GL Put Option Deed, the option purchase price was agreed to be calculated in accordance with the following formula:

$$\text{HK\$22,000,000} + \text{HK\$22,000,000} \times 15\% \times (\text{A}/365)$$

whereas:

“A” is the number of days counting from and inclusive of the date of the GL Put Option Deed to the date of the notice to be given by Grand Luck of the exercise of the put option.

By a deed of tax indemnity dated 12 December 2014 (“**GL Tax Indemnity**”), Mr. Hon has covenanted with Grand Luck and our Group to indemnify and keep indemnified Grand Luck and our Group against any and all losses, damages, costs, expenses, penalties and interest paid, suffered or incurred by Grand Luck and/or all or any member of our Group (including any payment made or required to be made by Grand Luck and/or all or any member of our Group) as a result of or in connection with any claim (as defined therein) relating to taxation arising out of the sale and purchase of the Grand Luck Shares made against all or any member of our Group.

Further details of the investment of each of our Pre-IPO Investors are set out below:

Name of the Pre-IPO Investor	Fu An	Dynasty Fortune	Grand Luck
Beneficial owner(s) and background of investors	<p>Fu An is a company incorporated in Hong Kong with limited liability on 26 September 2003. Fu An is 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. As at the Latest Practicable Date, Mr. Li Chao Wang was a director and substantial shareholder of Vinda International Holdings Limited (stock code: 3331), a company listed on the Main Board of the Stock Exchange.</p>	<p>Dynasty Fortune is a company incorporated in Hong Kong with limited liability on 22 November 2013, which is wholly-owned by Mr. Hui Chin Tong Godfrey, our non-executive Director.</p>	<p>Grand Luck is a company incorporated in the BVI on 6 June 2014, which is wholly-owned by Mr. Li Chao Wang, an Independent Third Party.</p>
	<p>To the best of our information, knowledge and belief, Fu An is an investment holding company.</p>	<p>To the best of our information, knowledge and belief, Dynasty Fortune is an investment holding company.</p>	<p>To the best of our information, knowledge and belief, Grand Luck is an investment holding company.</p>

HISTORY, REORGANISATION AND GROUP STRUCTURE

Name of the Pre-IPO Investor	Fu An	Dynasty Fortune	Grand Luck
Relevant pre-IPO agreement	Fu An Subscription Agreement	Dynasty Fortune Share Purchase Agreement	Grand Luck Share Purchase Agreement
Date of the relevant agreement	5 September 2014	5 September 2014	5 September 2014
Consideration paid	HK\$35,200,000	HK\$52,800,000	HK\$22,000,000
Basis of determination of consideration	Arm's length negotiations between the parties with reference to the net profit of our Group for the financial year ended 31 December 2013	Arm's length negotiations between the parties with reference to the net profit of our Group for the financial year ended 31 December 2013	Arm's length negotiations between the parties with reference to the net profit of our Group for the financial year ended 31 December 2013
Date of payment in full	17 September 2014	25 September 2014	10 December 2014
Investment cost per Share	HK\$0.587	HK\$0.587	HK\$0.587
Discount to Placing Price range	Between 2.2% to 33.3%	Between 2.2% to 33.3%	Between 2.2% to 33.3%
Use of proceeds by our Group	As general working capital of our Group and for repayment of the existing shareholder's loan by our Group. As at the Latest Practicable Date, HK\$5,200,000 of the proceeds had been utilised as general working capital and HK\$30,000,000 of the proceeds had been utilised for payment of the existing shareholder's loan.	Not applicable	Not applicable
Shareholding in our Company upon the Listing	60,000,000 Shares, representing approximately 6.12% of the issued share capital of our Company immediately upon completion of the Placing and the Capitalisation Issue (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme)	90,000,000 Shares, representing approximately 9.18% of the issued share capital of our Company immediately upon completion of the Placing and the Capitalisation Issue (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme)	37,500,000 Shares, representing approximately 3.83% of the issued share capital of our Company immediately upon completion of the Placing and the Capitalisation Issue (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme)

HISTORY, REORGANISATION AND GROUP STRUCTURE

Name of the Pre-IPO Investor	Fu An	Dynasty Fortune	Grand Luck
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Special rights (Note 2) (a) *Profit guarantee*
(Note 1)

If the net profit in the audited financial statements of our Group for the year ended 31 December 2014 (“**Profit 2014**”) shall be less than HK\$64,000,000:

- the total number of new Shares issued and allotted to Fu An under the Fu An Subscription Agreement (“**Total Fu An Shares**”) shall be adjusted according to the following formula within 15 days after the release of the audited financial statements of our Group for the financial year ended 31 December 2014, in any event on or before 28 February 2015:

Total number of Total Fu An Shares (%) = (HK\$64,000,000 x 8% x 100)/
Profit 2014

- the total number of Shares to be transferred by Harvest Talent to Dynasty Fortune under the Dynasty Fortune Share Purchase Agreement (“**Total DF Shares**”) shall be adjusted according to the following formula within 15 days after the release of the audited financial statements of our Group for the financial year ended 31 December 2014, in any event on or before 28 February 2015:

Total number of Total DF Shares (%) = (HK\$64,000,000 x 12% x 100)/
Profit 2014

- the total number of Shares to be transferred by Harvest Talent to Grand Luck under the Grand Luck Share Purchase Agreement (“**Total GL Shares**”) shall be adjusted according to the following formula within 15 days after the release of the audited financial statements of our Group for the financial year ended 31 December 2014, in any event on or before 28 February 2015:

Total number of Total GL Shares (%) = (HK\$64,000,000 x 5% x 100)/Profit
2014

(b) *Prior approval rights*

Subject to any applicable laws and the provisions of the relevant pre-IPO agreements, Harvest Talent shall exercise all voting rights and other powers of control available to it to procure that our Company shall not take, and shall not be permitted to take, certain actions including variation of its articles of association, variation of its authorised capital or the creation of new Shares and declaration or payment of any dividend by our Company, unless with prior written approval or consent of the Pre-IPO Investors, save as contemplated under the Reorganisation or for the purpose of consummating the Listing or purchasing the Shares pursuant to the exercise by the pre-IPO investors of the put options granted to them.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Name of the Pre-IPO Investor	Fu An	Dynasty Fortune	Grand Luck
	<p>(c) <i>Anti-dilution rights</i></p> <p>Save and except any transactions as contemplated under the Reorganisation, any proposal by the existing shareholders of our Company to issue any equity securities in the capital of our Company or to grant any right or entitlement for acquiring or subscribing for or to convert any securities into equity securities in the capital of our Company (“Securities”), on any terms to any person, shall not be made unless it has made an offer to each shareholder of our Company to allot to it, on the same or more favourable terms, a proportion of those Securities which is equal to the proportion in nominal value of the Shares held by such shareholder of our Company to the total Shares in issue immediately before the issue of the Securities.</p>		
	<p>(d) <i>Negative pledge</i></p> <p>Save for any Shares representing 10% of the issued share capital of our Company or less as at the date of completion of the subscription of Fu An Shares, or the sale and purchase of DF Shares or Grand Luck Shares (as the case may be), Harvest Talent shall not directly or indirectly sell, assign, transfer, pledge, hypothecate, or otherwise encumber or dispose of in any way or otherwise grant any interest or right with respect to all or any part of any interest in any Shares owned or held by it before the consummation of Listing without the prior written consent of the Pre-IPO Investors.</p>		
	<p>(e) <i>First refusal rights</i></p> <p>Each of the Pre-IPO Investors was granted the right of first refusal in respect of the Shares proposed to be disposed of by other shareholders of our Company.</p>		
	<p>(f) <i>Tag-along rights</i></p> <p>Each of the Pre-IPO Investors was granted the tag-along right in respect of the Shares proposed to be disposed of by other shareholders of our Company.</p>		
	<p>(g) <i>Information rights</i></p> <p>Each of the Pre-IPO Investors was granted the rights to receive certain periodic financial statements of our Group and request for such other information relating to the Listing.</p>		
Personal guarantee	<p>Mr. Hon has guaranteed to Fu An the full, due and punctual performance of all the obligations of our Company under or pursuant to the Fu An Subscription Agreement and such guarantee shall be released immediately before Listing.</p>	<p>Mr. Hon has guaranteed to Dynasty Fortune the full, due and punctual performance of all the obligations of Harvest Talent under or pursuant to the Dynasty Fortune Share Purchase Agreement and such guarantee shall be released immediately before Listing.</p>	<p>Mr. Hon has guaranteed to Grand Luck the full, due and punctual performance of all the obligations of Harvest Talent under or pursuant to the Grand Luck Share Purchase Agreement and such guarantee shall be released immediately before Listing.</p>

HISTORY, REORGANISATION AND GROUP STRUCTURE

Name of the Pre-IPO Investor	Fu An	Dynasty Fortune	Grand Luck
Appointment of non-executive director (<i>Note 3</i>)	Not applicable	Subject to due compliance with all applicable laws and/or regulations of all applicable jurisdictions and the Stock Exchange, Dynasty Fortune shall be entitled to appoint or nominate one non-executive director to our Company upon completion of the sale and purchase of the DF Shares until Dynasty Fortune ceases to be a shareholder of our Company.	Not applicable
Strategic benefits to our Company	Strengthening of our capital and shareholder base	Strengthening of our capital and shareholder base	Strengthening of our capital and shareholder base
Lock-up	None	None	None
Relationship with our Group	Each of Fu An, its nominee Wealth Promise and their beneficial owners is not related to our Group or any of the connected persons of our Company.	Mr. Hui Chin Tong Godfrey, the sole legal and beneficial owner of Dynasty Fortune, has been appointed as our non-executive Director pursuant to the Dynasty Fortune Share Purchase Agreement. Dynasty Fortune holds its shareholding in our Company via its nominee, DF Tourism.	Each of Grand Luck and its beneficial owner is not related to our Group or any of the connected persons of our Company.
Public float	Since each of Fu An and Wealth Promise (i) is not a core connected person of our Company; (ii) is not accustomed to take instructions from a core connected person in relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in its name or otherwise held by it; and (iii) Fu An's acquisition of its interests in the Shares was not financed directly or indirectly by any core connected person of our Company, the Shares owned by Fu An through Wealth Promise upon the Listing are considered as part of the public float for the purposes of Rule 11.23 of the GEM Listing Rules.	Since Dynasty Fortune is wholly-owned by and hence a close associate of Mr. Hui Chin Tong Godfrey, a non-executive Director, the Shares owned by it through DF Tourism upon the Listing are not considered as part of the public float for the purposes of Rule 11.23 of the GEM Listing Rules.	Since (i) Grand Luck is not a core connected person of our Company; (ii) the acquisition of its interests in the Shares was not financed directly or indirectly by any core connected person of our Company; and (iii) Grand Luck is not accustomed to take instructions from a core connected person in relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in its name or otherwise held by it, the Shares held by Grand Luck upon the Listing are considered as part of the public float for the purposes of Rule 11.23 of the GEM Listing Rules.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Notes:

1. No adjustment has been made to the Total Fu An Shares, Total DF Shares and Total GL Shares pursuant to the special right (a) above as at the Latest Practicable Date as the Profit 2014 was more than HK\$64,000,000.
2. The above special rights (a) to (g) granted to the Pre-IPO Investors shall cease to have any effect upon completion of the Listing.
3. Mr. Hui Chin Tong Godfrey was appointed as our non-executive Director on 29 September 2014. Mr. Hui will be subject to the retirement and re-appointment requirements under the Articles upon the Listing. The right of Dynasty Fortune in respect of the appointment of a non-executive Director shall cease to have any effect upon completion of the Listing.
4. The Pre-IPO Investments do not constitute share-based payments according to HKFRSs.

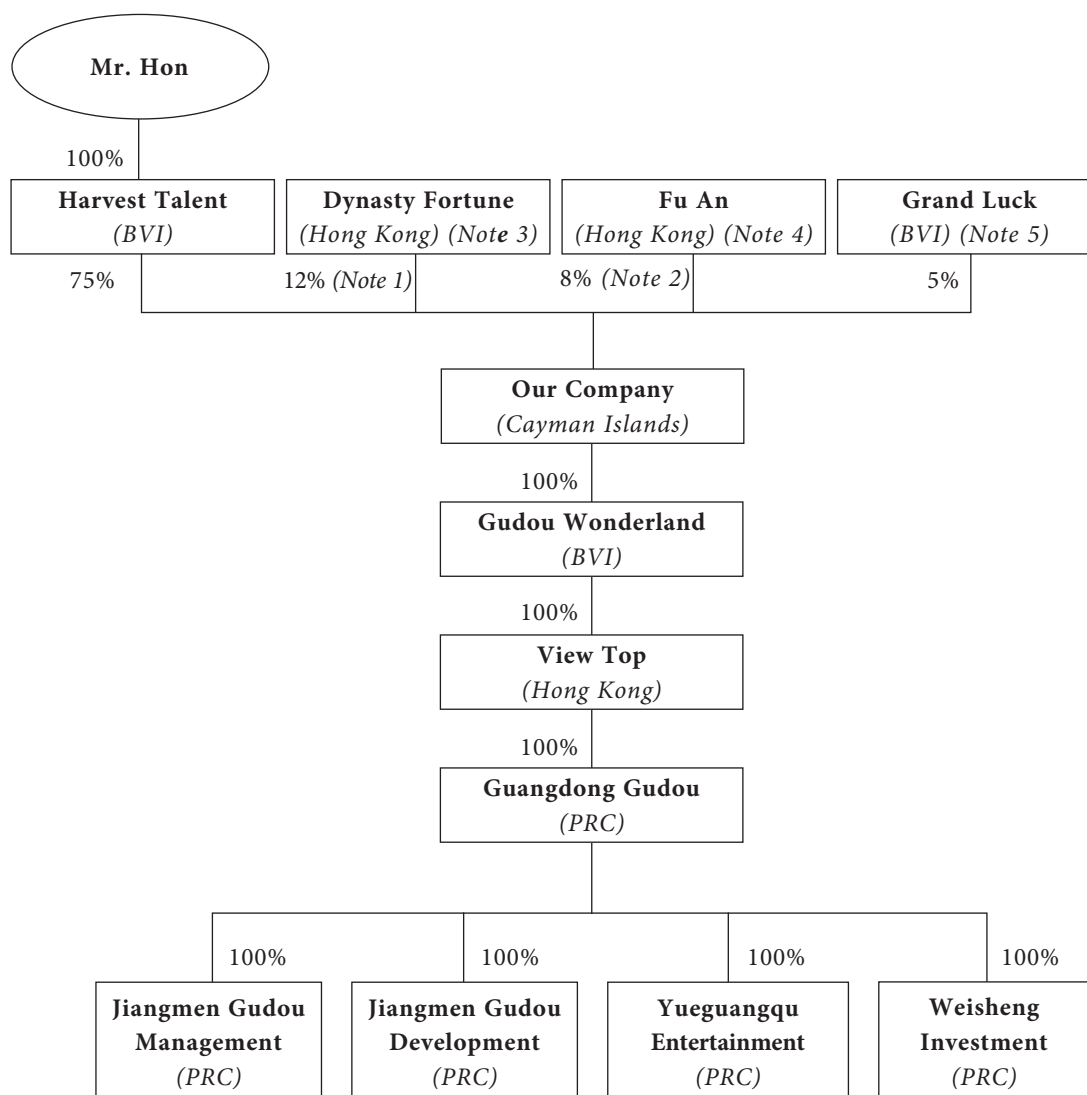
Each of the aforementioned deeds of amendment (collectively, the “**Amendment Deeds**”) to the Fu An Put Option Deed, the DF Put Option Deed and the GL Put Option Deed (collectively, the “**Put Option Deeds**”) only postponed the commencement date of the exercise period of the respective put option under the Put Option Deeds from 18 months to 42 months from the date of the respective Put Option Deeds. As advised by Mr. Bernard Mak, barrister-at-law to opine on the Pre-IPO Investments, the Amendment Deeds did not constitute new agreements to the Put Option Deeds and the Pre-IPO Investments agreements had complied with the requirements laid down in the guidance letter HKEx-GL43-12 issued by the Stock Exchange, on the ground that the Amendment Deeds only varied the Put Option Deeds in pursuant to an implied term thereof permitting parties to the Put Option Deeds to extend the commencement date of the option period, which is necessary to make the Pre-IPO Investment agreements as a whole commercially and practically coherent.

Sole Sponsor’s Confirmation

Given that (i) all the special rights granted to the Pre-IPO Investors in respect of their investments shall cease to have any effect upon completion of the Listing; (ii) our Directors confirmed that the terms of the Pre-IPO Investments (including the consideration) were determined on arm’s length basis; and (iii) the Pre-IPO Investments were completed by 12 December 2014, which is more than 28 clear days before the date of submission of the application for the Listing, the Sole Sponsor is of the view that the issue or transfers of the Shares (as the case may be) to the Pre-IPO Investors were conducted in a fair and orderly manner and the Pre-IPO Investors are not exposed to risks significantly different from those assumed by investors investing in the Placing. Therefore, the Sole Sponsor confirms that the Pre-IPO Investments are in compliance with the guidance letters HKEx-GL29-12 (January 2012) and HKEx-GL43-12 (October 2012) (Updated in July 2013) issued by the Stock Exchange.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The following diagram illustrates our corporate and shareholding structure following the completion of the Reorganisation and Pre-IPO Investments and immediately before the Placing and the Capitalisation Issue:



Notes:

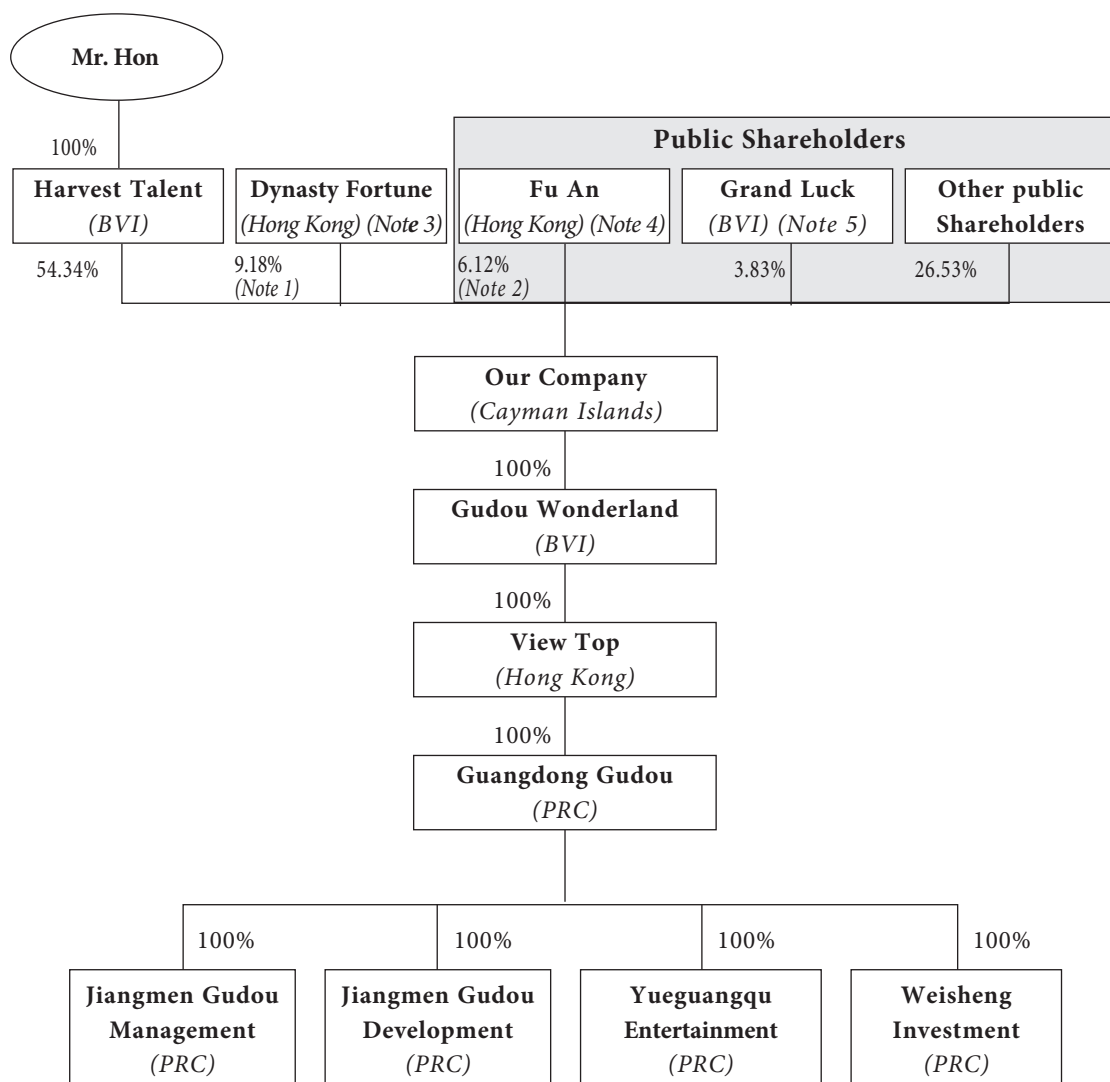
1. DF Tourism held such Shares as nominee of Dynasty Fortune. DF Tourism was a company incorporated in the BVI and wholly-owned by Dynasty Fortune.
2. Wealth Promise held such Shares as nominee of Fu An. Wealth Promise is a company incorporated in the BVI and wholly-owned by Fu An.
3. Dynasty Fortune was beneficially and wholly-owned by Mr. Hui Chin Tong Godfrey, our non-executive Director.
4. Fu An was 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.
5. Grand Luck was beneficially and wholly-owned by Mr. Li Chao Wang, an Independent Third Party.

HISTORY, REORGANISATION AND GROUP STRUCTURE

CAPITALISATION ISSUE

Conditional upon the crediting of our Company's share premium account as a result of the issue of the Placing Shares pursuant to the Placing, our Directors are authorised to capitalise an amount of HK\$7,120,000 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 712,000,000 Shares for allotment and issue to the shareholders of our Company as at 17 November 2016 on a pro-rata basis as to 534,000,000 Shares to Harvest Talent, 85,440,000 Shares to DF Tourism as the nominee of Dynasty Fortune, 56,960,000 Shares to Wealth Promise as the nominee of Fu An, and 35,600,000 Shares to Grand Luck and such Shares shall carry the same rights in all respects with the then existing issued Shares.

The following chart sets out our corporate and shareholding structure immediately after the completion of the Placing and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and taking no account of any Shares which may be allotted and issued upon exercise of any option to be granted under the Share Option Scheme):



HISTORY, REORGANISATION AND GROUP STRUCTURE

Notes:

1. DF Tourism held such Shares as nominee of Dynasty Fortune. DF Tourism is a company incorporated in the BVI and wholly-owned by Dynasty Fortune.
2. Wealth Promise held such Shares as nominee of Fu An. Wealth Promise is a company incorporated in the BVI and wholly-owned by Fu An.
3. Dynasty Fortune is beneficially and wholly-owned by Mr. Hui Chin Tong Godfrey, our non-executive Director.
4. Fu An 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.
5. Grand Luck is beneficially and wholly-owned by Mr. Li Chao Wang, an Independent Third Party.

M&A RULES

On 8 August 2006, six PRC regulatory agencies, including MOFCOM and CSRC, promulgated the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (“**M&A Rules**”), a regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors which became effective on 8 September 2006 and was amended on 22 June 2009.

Under the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic company thereby converting it into a foreign-invested enterprise, or subscribes for new equity via an increase in registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. The M&A Rules also provide that an offshore special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC before the listing and trading securities of such offshore special purpose vehicle on an overseas stock exchange.

Our PRC Legal Advisers have advised us that, as our ultimate beneficial Shareholders, Mr. Hon, Mr. Li Chao Wang, Ms. Yu Yi Fang, Mr. Dong Yi Ping and Mr. Hui Chin Tong Godfrey, are permanent residents of Hong Kong, the Reorganisation and Listing are not subject to the M&A Rules.

CIRCULAR NO. 37

On 4 July 2014, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Offshore Investment and Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“**Circular No. 37**”). Circular No. 37 applies to domestic residents, including both domestic institutions and domestic individual residents, who engage in offshore investment and financing, and reverse investment activities via special purpose vehicles (“**SPVs**”). A SPV is an overseas enterprise which is directly established or indirectly controlled by a domestic resident for the purposes of investment and financing with its lawful domestic enterprise assets or interests, or its lawful overseas assets or interests. Reverse investment refers to the direct investment activities of a domestic resident directly or indirectly via a SPV, i.e. establishing foreign-invested enterprises or projects within the territory of the PRC by ways such as the newly establishment or mergers and acquisitions and the activities of obtaining interests such as ownership, control and operation management.

HISTORY, REORGANISATION AND GROUP STRUCTURE

According to the Circular No. 37, domestic residents, including domestic institutions and domestic individual residents, shall conduct foreign investment foreign exchange registration with SAFE before contributing capital to a SPV with domestic or overseas lawful assets or interests. Where the registered overseas SPV undergoes basic information changes, such as a change in the PRC resident individual shareholder, name, operation duration, or a material event outside the PRC, such as a change in share capital or merger or acquisition, the PRC residents shall promptly register such change with SAFE.

Our PRC Legal Advisers are of the view that, based on the confirmation and documents provided by our Company, Mr. Hon, Mr. Li Chao Wang, Ms. Yu Yi Fang, Mr. Dong Yi Ping and Mr. Hui Chin Tong Godfrey, our beneficial Shareholders, are not subject to the registration requirement under the Circular No. 37 as they are permanent residents of Hong Kong and do not habitually reside within the territory of China due to reasons of economic interests.

COMPLIANCE WITH THE RELEVANT PRC LAWS AND REGULATIONS

As advised by our PRC Legal Advisers, we have obtained all necessary approvals and have complied with the relevant PRC legal requirements in respect of the incorporation of and each change in the shareholding or registered capital of our PRC subsidiaries, and the change in investment amount of Guangdong Gudou.

BUSINESS

OVERVIEW

Gudou (古兜) — a well-known brand of integrated hot spring resort in the PRC according to Crowe Horwarth. We are a hot spring resort and hotel operator and a tourism property developer in the PRC. We (i) operate and manage the hot spring resort and hotel facilities of *Gudou Hot Spring Resort*, and (ii) develop and sell tourism properties located at our *Gudou Hot Spring Resort*. We commenced our hot spring resort and hotel operations of *Gudou Hot Spring Resort* in 2003 and tourism property development in 2005.

Our *Gudou Hot Spring Resort* is located at Xinhui District, Jiangmen City, Guangdong Province, the PRC. As at 30 September 2016, the site of our *Gudou Hot Spring Resort* stretched across a total site area of approximately 649,287.5 sq.m. (of which approximately 492,620.0 sq.m. were owned by us and approximately 156,667.5 sq.m. were leased by us) on which there were four themed hotel complexes, namely *Royal Spa Hotel* (皇家Spa酒店), *Holiday Lakeview Hotel* (假日湖景酒店), *Hot Spring Villa Hotel* (溫泉別墅酒店) and *Mountain Seaview Hotel* (山海酒店). Our *Gudou Hot Spring Resort* is an integrated resort complex that provides the convenience of a one-stop solution with a mixture of hot spring facilities, hotels, commercial stores, F&B outlets, recreational waterpark, spa centre, conference centre, parks, tourist attractions and other ancillary leisure and recreational facilities. As at the Latest Practicable Date, we offered 62 public hot spring pools in our *Gudou Hot Spring Valley*. Our themed hotel complexes also feature private hot spring pools in the villas and some of the suites.

Along with our hot spring resort and hotel operations, we expanded our business portfolio to the development of tourism properties within the site of *Gudou Hot Spring Resort*. As at the Latest Practicable Date, we had completed four tourism property projects with a total saleable GFA of approximately 95,729.6 sq.m., namely *South Asian Villas*, *Baden Town Villas*, *Mountain Seaview Vacation Apartments* and *Joyful Apartments*. We are currently developing two other tourism property projects, namely *Mountain Seaview Vacation Residence* which will comprise mainly high-rise apartments and *Heart of Spring Apartments* which will comprise mainly low-rise apartments and commercial units. The tourism properties developed or under development under our property development projects are categorised principally as villas, high-rise apartments, low-rise apartments, low-rise studio flats, retail units and carpark spaces. Construction of *Joyful Apartments* commenced in the third quarter of 2015 and was completed in November 2016. Construction of *Mountain Seaview Vacation Residence* commenced in the fourth quarter of 2015 and construction of the entire properties is expected to complete by the fourth quarter of 2017. Construction of *Heart of Spring Apartments* is expected to commence in the fourth quarter of 2016 and construction of the entire properties is expected to complete by the fourth quarter of 2017. We estimate that the expected total development costs to be incurred for *Joyful Apartments*, *Mountain Seaview Vacation Residence* and *Heart of Spring Apartments* will be approximately RMB27.1 million, RMB98.8 million and RMB81.9 million, respectively, of which approximately RMB14.7 million, RMB33.0 million and RMB17.3 million had been respectively incurred up to 31 May 2016.

Gudou Hot Spring Resort was accredited as a National Tourist Attraction — Grade AAAA* (國家AAAA級旅遊景區) by the National Tourist Attraction Quality Rating Committee* (全國旅遊景區質量等級評定委員會) in 2005. Other than that, since its establishment *Gudou Hot Spring Resort* has received numerous awards and recognitions including “Excellent Tourism Attraction* (優秀旅遊景區)” in 2004, “Most Popular Tourism Attraction in Jiangmen City* (江門市最受遊客歡迎景點)” in 2007 and “The Best Tourism Real Estate Project (最佳旅遊地產項目)” in 2016.

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COMPETITIVE STRENGTHS

We believe that our success and future prospects are primarily driven by a combination of the following key competitive strengths:

Synergy between our hot spring resort and hotel operations and tourism property development business

Our hot spring resort and hotel operations and our tourism property development business complement each other, creating synergy between the two business segments. We consider that our hot spring resort and hotel operations and the ancillary tourism attractions therein combined to portray a quality and holistic living environment for our tourism property development projects. Our hot spring resort facilities not only attract buyers to purchase tourism properties in *Gudou Hot Spring Resort* for investment or self-use purposes, the sale of our tourism properties in *Gudou Hot Spring Resort* also generates funds for our Group to further develop and enhance the hot spring facilities, and/or undertake new tourism property projects in *Gudou Hot Spring Resort*.

Our business model of hot spring resort and hotel operations and tourism property development is designed to balance our short-term capital needs and long-term financial strength. While we retain our completed properties for hot spring resort and hotel operations, we also sell tourism properties for immediate return of capital to fund our business, operations and expansion plans. While revenue from tourism property development business will be subject to the development plan and construction progress of our tourism property development projects, our hot spring resort and hotel operations can provide a more stable and recurring income source. Our business model allows us to generally fund our operations from the stable recurring income generated from our hot spring resort and hotel operation, and to provide additional capital from the sale of tourism properties for our overall business development and expansion plans.

We believe the synergy between our hot spring resort and hotel operations and our tourism property development business provides us with more stable income and higher growth prospects in the long run as compared to the business model of focusing solely on either hot spring resort and hotel operations or tourism property development business.

Established market position with well-recognised brand in the hot spring and hotel industry in Guangdong Province

With over a decade of experience in developing and operating *Gudou Hot Spring Resort*, we have accumulated extensive knowledge and operational experience in the hot spring and hotel industry, trained and developed a team of qualified staff, and forged strategic partnerships for our business. *Gudou Hot Spring Resort* has received numerous awards and recognitions since its establishment. The Tourism Bureau of Jiangmen City accredited our *Gudou Hot Spring Resort* as “Excellent Tourism Attraction*(優秀旅遊景區)” in 2004, and “Most Popular Tourism Attraction in Jiangmen City*(江門市最受遊客歡迎景點)” in 2007. *Gudou Hot Spring Resort* was also accredited by the National Tourist Attraction Quality Rating Committee*(全國旅遊景區質量等

級評定委員會)⁽¹⁾ in 2005 as a National Tourist Attraction — Grade AAAA* (國家AAAA級旅遊景區). We were also selected as “Sports Tourism Demonstration Base of Guangdong Province (廣東省體育旅遊示範基地)” by Sports Bureau of Guangdong Province in 2013 and as “Hot Spring Tourism Demonstration Base of Guangdong Province* (廣東省溫泉旅遊示範基地)” by Tourism Administration of Guangdong Province (廣東省旅遊局) in 2010. In 2016, we were recognised as “The Best Tourism Real Estate Project (最佳旅遊地產項目)” by House QQ.com. We believe that our established market position and years of experience in hot spring resort and hotel operations position us favourably to expand our business into other locations in Guangdong Province as well as other tourism cities in the PRC.

We believe that, as an established hot spring resort operator, we and our “*Gudou*” brand are well recognised by the market and customers in Guangdong Province, the PRC as evidenced by a number of awards and accolades accredited by various organisations or government authorities. We believe that such market recognition has helped us to achieve our leading position in the hot spring resort market in Guangdong Province, the PRC.

Gudou Hot Spring Resort is strategically located in Guangdong Province, the PRC with a well-established transportation network

Our *Gudou Hot Spring Resort* is located in Xinhui District, Jiangmen City, Guangdong Province, the PRC, and is within close proximity to various railways and highways, including Guangzhou-Zhuhai Intercity Railway (廣珠城際鐵路), Guangdong Western Coastal Expressway (廣東西部沿海高速), Jiangmen-Zhaoqing Highway (江肇高速公路), which connect to various major cities such as Hong Kong, Macau Special Administrative Region of the PRC, Shenzhen, Guangzhou, Zhuhai and Zhongshan, and other parts of the PRC. We believe that the favourable location of *Gudou Hot Spring Resort*, with easy access to rail and road transportation networks, provides the convenience that attracts both regional and destination visitors.

Besides, according to the Highways Department of the Hong Kong government, the Hong Kong-Zhuhai-Macau Bridge is expected to be commissioned in 2017. The Hong Kong-Zhuhai-Macau Bridge will shorten the travel distance and time between Hong Kong and *Gudou Hot Spring Resort* by land. Construction works of Shenzhen-Maoming Railway (深茂鐵路) and Jiangmen-Luoding Highway (江羅高速公路) are expected to be completed in 2018 and 2016, respectively. Our Directors believe that the improving transportation infrastructure and network will help us to capture growth opportunities by making ourselves even more accessible to our target customers in other regions.

(1) The National Tourist Attraction Quality Rating Committee is established by the China National Tourism Administration (中國國家旅遊局), the government authority directly regulated by the State Council. The National Tourist Attraction Quality Rating Committee is responsible for the organisation and management of quality grade evaluation of tourist areas throughout the country. An AAAA National Tourist Attraction is the second highest rated tourist attraction by a national assessment system regarding tourist attraction in China. The assessment system is established by the China National Tourism Administration. It sets the standards of overall quality of tourist attractions and identified 5 categories: A, AA, AAA, AAAA and AAAAA, of which AAAAA represents the category of highest quality. The evaluation criteria addresses a variety of tourism planning and management issues in accordance with industry standards, which include, among others, transportation, safety and security, cleanliness and sanitation.

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The following map illustrates the location of our *Gudou Hot Spring Resort* in Guangdong Province, the PRC:



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The following map illustrates the transportation network surrounding Jiangmen City in Guangdong Province, the PRC:



We are well-positioned to capitalise the significant and sustainable growth potential of the PRC tourism industry

We operate in an industry with significant and sustainable growth potential. The rapid economic development in the PRC has contributed in part to the growth of the PRC tourism industry, boosting the number of domestic tourists and overall domestic tourism expenditure. According to Crowe Horwath, the number of domestic tourists in the PRC increased at a CAGR of 10.9% from 2011 to 2015, with the number of domestic tourists in 2015 reaching approximately 4.0 billion. In addition, the average spending per capita in domestic travels in the PRC increased at a CAGR of 4.1% from 2011 to 2015, reaching approximately RMB857 per capita in 2015. Given the series of favourable policies, laws and regulations recently enacted by the PRC government, such as the Outline for National Tourism Leisure (2013-2020) (《國民旅遊休閒綱要(2013-2020年)》) and the Tourism Law of the PRC (《中華人民共和國旅遊法》) to promote the domestic tourism and culture industries, we believe the PRC tourism industry will continue to grow at a fast pace.

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Besides, we believe that our Group benefits from the prosperity of the tourism industry in the surrounding area where *Gudou Hot Spring Resort* is located. There are various types of tourist attractions in the vicinity of *Gudou Hot Spring Resort*, such as Silver Lake Bay Wetland Park (銀湖灣濕地公園) and Xinhui Birds Paradise (新會小鳥天堂). In addition, according to the Master Plan of Jiangmen City Tourism Development (2013 — 2025) (江門市旅遊發展總體規劃(2013 — 2025)) approved by people’s government of Jiangmen City in 2013, Xinhui District is positioned to be “The Tourism Base for Southern China* (南中國旅遊產業基地)” and “The Middle-to-High End Cultural Tourism Resort Destination* (中高端文化旅遊度假地)”. There will be different types of leisure tourist attractions in relation to local culture, history, natural landscape, ecology and sports in the surroundings. The focus on and development in tourism and leisure travel by the local government will accelerate the enhancement of infrastructure and tourism resources and we may benefit from the maturity of the tourism industry in the area. Please refer to the sub-section headed “Industry overview — The hot spring and hotel industry — Key demand drivers” of this prospectus for further information on the local tourism industry.

Our pairing of hot spring resort and natural spring waterpark

Our hot spring resort and hotel operations are subject to seasonality. The number of visitors to hot spring resort is usually lower in the second and third quarters of each calendar year. The proportion of hot spring resort admission income generated in the second and third quarters of the year to our annual hot spring resort admission income for each of the two years ended 31 December 2014 and 2015 was approximately 38.4% and 32.0%, respectively. In order to reduce the off-season impact of our hot spring resort operations and to capitalise the natural resources available to us, we operate a natural spring waterpark in our *Gudou Hot Spring Resort*. We believe that our *Natural Spring Waterpark*, which opens from April to October every year, is a tourist attraction itself. It can also reduce the seasonality impact on our hot spring resort operations as a whole.

We have an experienced management team with proven track record in hot spring resort and hotel operations and tourism-related property development

Our management team has extensive experience in both hot spring resort and hotel operations and tourism property development. Mr. Hon, our founder, chairman, chief executive officer and executive Director, has more than 14 years of experience in the development and management of *Gudou Hot Spring Resort* and the tourism property projects therein. Mr. Hon has been the executive president of Guangdong Hot Spring & Spa Association (廣東溫泉行業協會) since November 2014. Our management team comprises personnel with experience in a wide range of fields, including real estate development, planning, design, finance, operations and marketing and sales. Please refer to the section headed “Directors, senior management and employees” of this prospectus for further details of the management team of our Group. Throughout the years, we have accumulated valuable experience in hot spring resort and hotel operations and tourism property development. We believe that we have successfully built up our *Gudou Hot Spring Resort* as a famous integrated hot spring resort in Guangdong Province, the PRC.

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BUSINESS STRATEGIES

We intend to achieve sustainable growth in our current business and to create long-term Shareholders' value by focusing primarily on the PRC hot spring and hotel market and expanding our tourism property development business through the implementation of the following core business strategies:

Continue to enhance our position in the hot spring and hotel industry

We plan to further enhance our position in the hot spring and hotel industry by (i) replicating our business model to operate new hot spring resorts and hotels; and (ii) providing management services to other hot spring resort and operators.

(i) *Replicate our business model to operate new hot spring resorts and hotels*

Leveraging on our success in the operation of *Gudou Hot Spring Resort*, we intend to replicate our business model to operate and develop new hot spring resorts and hotels and, if appropriate, together with ancillary tourism properties as integrated tourism and leisure projects in other cities of the PRC. Such resorts and hotels may either be established by ourselves or acquired from other existing hot spring operators. We will select our potential target cities based on a number of factors including, among others, local favourable governmental policy, local tourism development, infrastructure, locations of available land sites, regional economy, regional level of disposable income, cost of transportation and cost of energy supply. As at the Latest Practicable Date, we had not entered into any letters of intent or memoranda of understanding or other forms of agreement regarding the acquisition or establishment or operation of new hot spring resorts and hotels.

(ii) *Provide management services to other hot spring resort owners*

We intend to explore new business opportunities by providing management services to hot spring resorts owned by third party owners. Leveraging on our experience and expertise in the development and operation of large-scale hot spring resort with tourism property development, we intend to provide management services to third party owners in relation to their hot spring resorts. Our management services may include (i) provision of advice on the development and operation of hot spring resorts, development, sales, marketing and management of ancillary tourism properties; and (ii) provision of assistance in the operation and management of the hot spring resorts as well as the tourism property development projects therein. We will select a potential project to render management services based on a number of factors including the third party owner's legal rights and possession of necessary approvals for the operation. It is intended that the selected hot spring resorts will be managed and operated by our Group under the "*Gudou*" brand. With our expertise in hot spring resort operations, we believe that we will be able to provide high quality and top tier services to these hot spring resort owners. We have set up an investment and development team, led by Mr. Huang Zhanxiong, our executive Director and also the vice president of our resort and hotel division, responsible for identifying and evaluating potential business opportunities. As at the Latest Practicable Date, we had not entered into any agreements regarding the management services of hot spring operations.

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Plan to expand the tourism property development business of our Group

We plan to explore new tourism property projects in our *Gudou Hot Spring Resort*. Depending on the market conditions and our resources, we will carry out new tourism property development projects over the undeveloped lands in *Gudou Hot Spring Resort* to generate an optimal mix of income from selling, leasing and operating the properties.

We aim to promote synergy between the value of our hot spring resort and hotels and its ancillary tourism properties and make full use of our unique competitive strength from their complementary functions. We 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. We believe the standardised procedure will enable us to execute our tourism property development plan effectively, thus further enhance our profitability in the future. Currently, we are developing two other tourism property projects in *Gudou Hot Spring Resort*, namely *Mountain Seaview Vacation Residence* which will comprise mainly high-rise apartments and *Heart of Spring Apartments* which will comprise mainly low-rise apartments and commercial units. Construction of *Mountain Seaview Vacation Residence* commenced in the fourth quarter of 2015 and construction of the entire properties is expected to complete by the fourth quarter of 2017. Construction of *Heart of Spring Apartments* is expected to commence in the fourth quarter of 2016 and construction of the entire properties is expected to complete by the fourth quarter of 2017.

Continue to enhance our “Gudou” brand across the PRC by providing quality products and services to our customers

We place significant emphasis on developing our brand image and will continue to provide quality products and services that will enhance our profile, reputation and image as an integrated high quality hot spring resort operator. We strive to maintain the attractiveness and competitiveness of our *Gudou Hot Spring Resort* through regular maintenance and periodic upgrades of our facilities.

In order to achieve desired quality levels and to maintain a cohesive brand image, we will continue to implement strict quality control standards and closely monitor the product or service quality, and the workmanship of our contractors throughout the property development process in relation to our tourism property development business.

To increase brand awareness across the PRC, we will continue to organise promotional events such as business forums, festivals, carnivals and sports competitions to promote our “Gudou” brand. We believe by cultivating a distinctive brand image, we will be able to further enhance our ability to attract our target customers and reinforce customers’ perception of the quality and distinctiveness of our services and products.

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BUSINESS MODEL

Our businesses comprise: (i) hot spring resort and hotel operations, which are primarily the operation and management of the hot spring resort and hotel facilities of *Gudou Hot Spring Resort* for providing hot spring, leisure, recreational and hospitality facilities to visitors; and (ii) tourism property development in the hot spring resort and hotels operated and managed by us, which is primarily the development and sale of tourism properties located at *Gudou Hot Spring Resort*. We offer a variety of different types of hot spring pools in our *Gudou Hot Spring Valley* and have four themed hotels complexes namely *Royal Spa Hotel*, *Hot Spring Villa Hotel*, *Holiday Lakeview Hotel* and *Mountain Seaview Hotel*, to provide accommodation to our visitors. Along with our hot spring resort and hotel operations, we also develop and sell tourism properties with a view to achieving synergy between our two arms of business.

CORE VALUES

Our business model is founded on our belief in the importance of health regimen to human beings and well-being of body and mind. Our *Gudou Hot Spring Resort* is built on such belief and over the years, we evolved and expanded our business from a hot spring resort and hotel operator to include the development and sale of tourism properties. Embedded in our core values that inspire our business operations initiatives are the following three elements, which we believe is one of the keys to attaining our established position in the hot spring resort market in Jiangmen City:



Hot spring and health regimen

We believe in the importance of health regimen to human beings and well-being of body and mind and consider it a key element of our core values. Minerals such as sulphur and calcium, fluorine, sodium hydroxide, potassium chloride, and sodium chloride, which are believed to have therapeutic effects, are generally found in hot springs. Depending on the mineral content, bathing in heated mineralised water is believed to be able to improve skin condition and blood circulation, and ease muscle and joint pain. As at the Latest Practicable Date, we offered a total of 62 public hot spring pools in our *Gudou Hot Spring Resort*, with water temperature generally ranging from

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35°C to 44°C. Some of our hot spring pools are also added with a variety of herbs to enhance the therapeutic effect. A combination of hot spring bathing, spa water treatment and massage are also offered in our *Gudou Hot Spring Resort*, which we believe can revitalise and re-energise the bodies, minds and spirits of our guests.

Leisure and travel

As an established integrated hot spring resort operator, we aim to provide our residents and guests with diversified leisure and entertainment in a secluded space. In addition to hot spring facilities, our *Gudou Hot Spring Resort* provides a wide spectrum of spa and massage services, and outdoor activities including, among others, water amusement park, barbecue site, cable cars, cycling and boat rowing. These could help us to attract more travellers with diversified interests.

Living experience

With an aim to enable our guests to experience holistic living in a state of well-being, health and content at *Gudou Hot Spring Resort*, along with our hot spring resort and hotel facilities, we sell tourism properties located at our *Gudou Hot Spring Resort*. As at 31 May 2016, we had completed the construction of three tourism property development projects and sold a total of 245 villas, 518 apartments, six commercial units and six carpark spaces.

HOT SPRING RESORT AND HOTEL OPERATIONS

Revenue from our hot spring resort and hotel operations mainly comprises Room Revenue, admission income and catering income. For each of the two years ended 31 December 2014 and 2015 and for each of the five months ended 31 May 2015 and 2016, revenue from this segment amounted to approximately RMB96.4 million, RMB98.3 million, RMB40.2 million and RMB47.7 million, respectively, accounting for approximately 46.7%, 48.6%, 64.3% and 83.9% of our total revenue, respectively. The table below sets forth the breakdown of revenue from our hot spring resort and hotel operations for the periods indicated:

	For the year ended 31 December				For the five months ended 31 May			
	2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Hot spring resort and hotel operations								
Room Revenue	50,114	52.0	51,659	52.6	22,033	54.7	25,860	54.2
Admission income	15,697	16.3	18,917	19.2	6,736	16.7	8,318	17.4
Catering income	23,212	24.1	21,023	21.4	8,572	21.3	10,247	21.5
Rental income	980	1.0	871	0.9	352	0.9	428	0.9
Massage service income	2,388	2.5	2,045	2.1	999	2.5	893	1.9
Conference fees income	1,206	1.2	1,109	1.1	593	1.5	706	1.5
Other service income	2,763	2.9	2,658	2.7	963	2.4	1,276	2.6
Total	96,360	100.0	98,282	100.0	40,248	100.0	47,728	100.0

BUSINESS

Our *Gudou Hot Spring Resort* is an integrated resort complex featuring a mixture of hot spring facilities, hotels, parks, commercial stores, F&B outlets, recreational waterpark, conference centre, tourist attractions and ancillary leisure and recreational facilities. Set forth below is a site map of our hot spring resort and hotel facilities in *Gudou Hot Spring Resort*:



1. *Baden Town Villas*

2. *South Asian Villas*

3. *Hot Spring Guest Lodge*

4. *Tang Palace and Japanese Pavilion*

5. *Gudou Hot Spring Valley*

6. *Gudou International Conference Centre*

7. *Natural Spring Waterpark*

8. *Cableway entrance*

9. *Lakeview Guest Lodge*

10. *Dragon Spring Suite*

11. *Beachfront Cabanas*

12. *Mountain Seaview
Vacation Apartments*

BUSINESS

Hot spring facilities

Our *Gudou Hot Spring Resort* offers two types of hot spring, namely freshwater hot spring and seawater hot spring. We provide hot spring facilities in our *Gudou Hot Spring Valley* and our four themed hotel complexes. Our *Gudou Hot Spring Valley* is divided into three hot spring zones in different styles, namely Chinese zone, European zone and Japanese zone. As at the Latest Practicable Date, we offered 62 public hot spring pools in our *Gudou Hot Spring Valley* comprising 32 pools in the Chinese zone, 19 in the Japanese zone and 11 in the European zone.



Chinese zone



Japanese zone



European zone

During the Track Record Period, the provision of hot spring facilities in our *Gudou Hot Spring Valley* contributed substantially to our admission income, whereas hot spring facilities in our themed hotel complexes are provided to our hotel guests as a complimentary service. For each of the years ended 31 December 2014 and 2015 and for each of the five months ended 31 May 2015 and 2016, our admission income attributable to the provision of hot spring facilities in our *Gudou Hot Spring Valley* amounted to approximately RMB13.4 million, RMB16.5 million, RMB6.5 million and RMB8.1 million, respectively, accounting for approximately 85.5%, 87.1%, 96.0% and 96.9% of our total admission income, respectively, and approximately 13.9%, 16.8%, 16.1% and 16.9% of our revenue derived from our hot spring resort and hotel operations, respectively.

Set forth below is the process of the operation of our hot spring facilities:

1. *Source of hot spring*

Our hot spring facilities are supported by three freshwater hot spring sources and one seawater hot spring source. The three sources for our freshwater hot spring are located at various locations inside our *Gudou Hot Spring Resort* while the seawater hot spring source is located in the sea close to our *Gudou Hot Spring Resort*.

BUSINESS

After being extracted from the sources, the hot spring water is transferred to our storage tanks via pipelines.

2. *Storage tanks*

Our storage tanks are categorised into our centralised storage tank and local storage tanks. After being extracted from the sources, the hot spring water is transferred to the centralised storage tanks first before the hot spring water is transferred to the local storage tanks. We have installed local storage tanks in various zones where we provide hot spring facilities. These storage tanks can ensure the continuous supply of hot spring water for the operation of hot spring facilities in our *Gudou Hot Spring Resort* in case there is any temporary breakdown of our water pumps and pipelines or shortage in the supply of hot spring water.

3. *Hot spring pools*

We provide hot spring pools mainly in our *Gudou Hot Spring Valley*. Private hot spring pools are featured at the villas and some of the suites of our themed hotel complexes, namely *Tang Palace, Japanese Pavilion, South Asian Villas, Baden Town Villas* and *Dragon Spring Suite*. To maintain a high standard of hygiene, the hot spring water inflows from the local storage tanks into our pools and outflows for discharge on a continuous basis. We check and record the temperature of the public hot spring pools from time to time to make sure that the water maintains certain temperatures.

4. *Discharge of hot spring water*

As approved by the relevant authority, our hot spring water is directly discharged to Huangmao Sea* (黃茅海). The hot spring water outflows from our pools continuously via pipelines for centralised filtration of residue therein before discharge.

5. *Daily cleaning of hot spring pools*

We clear the hot spring water in all our pools and clean all our pools on a daily basis.

Hot spring water

Freshwater hot spring

At present, we mainly extract fresh hot spring water from two hot spring wells at our *Gudou Hot Spring Resort*. The hot spring water extracted from the existing hot spring wells at our *Gudou Hot Spring Resort* mainly contains fluorine, sodium metasilicate and radon.

We have obtained the mining licence (採礦許可證) issued by Jiangmen City Land Resources Bureau* (江門市國土資源局) for the water sources of freshwater hot springs at our *Gudou Hot Spring Resort* (Note). Such mining licence allows us to extract a maximum of 660,000 cubic metres of geothermal mineral water per annum. In addition, we have obtained the water extraction permit (取水許可證) issued by Xinhui District Water Bureau of Jiangmen City* (江門市新會區水務局) for the source of the freshwater hot spring for our *Gudou Hot Spring Resort*. Such water extraction permit allows us to extract 662,500 cubic metres per annum.

Note: On 25 October 2001, Guangdong Gudou was established as a Sino-foreign cooperative joint venture between View Top and Gudou Hydropower Plant, an Independent Third Party. As part of the arrangement of the cooperative joint venture, Gudou Hydropower Plant's investment in Guangdong Gudou was made in the form of contribution of intangible assets including the freshwater hot spring mining licence (採礦許可證) which was then held by Gudou Resort of Xinhui District, Jiangmen City* (江門市新會區古兜度假村), an entity owned by Gudou Hydropower Plant, for the freshwater hot springs at our *Gudou Hot Spring Resort*, in return Gudou Hydropower Plant was entitled to receive a fixed distribution of US\$50,000 per year. On 12 April 2004, the freshwater hot spring mining licence was acquired by Guangdong Gudou by way of transfer from Gudou Resort of Xinhui District, Jiangmen City* (江門市新會區古兜度假村) at nil consideration as Guangdong Gudou was operating at a loss in 2004 and had accumulated losses amounting to approximately RMB28.1 million as at 31 December 2005. Subsequently, on 15 December 2005, Gudou Hydropower Plant agreed to withdraw its investment in Guangdong Gudou at nil consideration. We have since ceased to pay the fixed distribution of US\$50,000 per year to Gudou Hydropower Plant.

BUSINESS

According to a resources verification report in respect of the freshwater hot spring resources of our hot spring wells located at the *Gudou Hot Spring Resort* dated 26 July 2011 issued by Team No. 6 of Geology Bureau of Guangdong Province* (廣東省地質局第六地質大隊) (the “**Freshwater Hot Spring Expert**”) (*Note*), the recommended maximum daily extraction rate of our hot spring wells is 2,378 cubic metres per day (representing 791,874 cubic metres per annum by using 333 days as one year for calculation as advised by the Freshwater Hot Spring Expert based on the assumption that maintenance of relevant facilities will be carried out for the remaining 32 days). The Freshwater Hot Spring Expert confirmed that the resources information as stated in such resources verification report remained correct up to May 2016.

The Freshwater Hot Spring Expert confirmed that the freshwater hot spring resources at our *Gudou Hot Spring Resort* are able to support the recommended extraction rate as specified in the said resources verification report. Given that the maximum amount of freshwater hot spring that our Group is allowed to extract under our mining licence (660,000 cubic metres per annum) and our water extraction permit (662,500 cubic metres per annum) is below the said recommended annual extraction rate, the risk that the freshwater hot spring resources are insufficient for our Group to reach the maximum extraction volume permitted under relevant licence and permit is highly remote.

The Freshwater Hot Spring Expert also advised that as the freshwater hot spring resources could be replenished naturally by rain water that flows underground and other underground water, the risk that the freshwater hot spring resources will be depleted is highly remote as long as the actual extraction rate does not exceed the recommended extraction rate. Accordingly, given our Group’s historical extraction volume during each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016 of 361,453 cubic metres, 280,010 cubic metres and 182,553 cubic metres respectively were below the said recommended maximum extraction volume, the risk that the hot spring resources would be depleted before the expiry of our mining licence is highly remote, and we believe our Group’s freshwater hot spring resources are sufficient to support our Group’s operation going forward.

We monitor the usage of freshwater hot spring and if necessary, we will raise the granted maximum by submitting an application to the relevant government authorities. Our current mining licence and water extraction permit will expire in May 2022 and August 2021, respectively.

Note: We commissioned the Freshwater Hot Spring Expert to conduct a verification survey and to provide a resources verification report on, among other things, the maximum extraction rate of the freshwater hot spring resources at our *Gudou Hot Spring Resort* for the purpose of applying for the renewed mining licence. The Freshwater Hot Spring Expert is an entity under the Geology Bureau of Guangdong Province responsible for, among others, the investigation and governance of the hydrogeology in the Jiangmen City region and is an Independent Third Party. Through the verification process, the Freshwater Hot Spring Expert has analysed the characteristics and quality of the fluid geothermal chemistry, verified the hot spring mineral water reserves, made recommendations regarding the environmental protection of the hot spring area and provided a technical economic evaluation based on the relevant hot spring data in accordance with “Solid Mineral Resources Reserves Verification Report Preparation Regulations*” (《固體礦產資源儲量核實報告編寫規定》), “Geologic Exploration Standard for Geothermal Resources*” (《地熱資源地質勘查規範》) and “Geologic Exploration Standard for Natural Mineral Water*” (《天然礦泉水地質勘探規範》). The report was derived based on, among others, geology, drilling, infrastructure and sampling information, by means of data gathering and analysis methodology, including research, sampling, testing, site inspection and field work. Information gathered by the Freshwater Hot Spring Expert has been analysed in line with national industry standards. The Freshwater Hot Spring Expert received a total commission of RMB460,000 from our Group for the research and preparation of their report.

Seawater hot spring

The water source of our seawater hot spring originates from Weiken Xinzhou, Jiangmen City, Guangdong Province, the PRC. We have obtained the sea area use right certificate (海域使用權證) issued by Xinhui District Ocean and Fishery Bureau of Jiangmen City* (江門市新會區海洋與漁業局) for the right to use the sea plot of 1.4 hectares where the source of seawater hot spring for our *Gudou Hot Spring Resort* is located. During the Track Record Period, we paid RMB6,300 each year as the annual usage fee for such sea area use right. Our current certificate will expire in December 2030.

We have obtained the water extraction permit (取水許可證) issued by Xinhui District Water Bureau of Jiangmen City* (江門市新會區水務局) for such source of seawater hot spring. Such water extraction permit allows us to extract a maximum of 730,000 cubic metres of geothermal water per annum. During each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016, we extracted approximately 120,097 cubic metres, 116,752 cubic metres and 74,709 cubic metres of seawater hot spring water, respectively. Our current permit will expire in July 2019.

We have not obtained the mining rights for the seawater hot spring resources. Nevertheless, we have fully paid the mineral resources compensation* (礦產資源補償費) in accordance with the relevant regulations for using such hot spring resources from time to time as per invoices issued by the Xinhui Branch of Jiangmen City Land and Resources Bureau* (江門市國土資源局新會分局). For each of the years ended 31 December 2014 and 2015 and five months ended 31 May 2016, the amount of mineral resources compensation incurred were approximately RMB151,000, RMB124,000 and RMB80,000, respectively. Based on the confirmation letter issued by the Xinhui Branch of Jiangmen City Land and Resources Bureau on 13 February 2014, we were permitted to the retrieval and usage of seawater hot spring resources. As advised by our PRC Legal Advisers, the Xinhui Branch of Jiangmen City Land and Resources Bureau is the competent local authority to regulate mining activities in Xinhui District of Jiangmen City. We are in the process of preparing the requisite documents for participating in the bidding, auction or quotation process for the mining licence in respect of the seawater hot spring resources organised by the Jiangmen City Land and Resources Bureau or its authorised subordinate authorities. We expect the bidding auction or quotation process for the mining right will take place in the fourth quarter of 2016. We expect that the expenditure required for obtaining the mining licence for the seawater hot spring source will amount to approximately RMB6.5 million. As advised by our PRC Legal Advisers, there is no material legal impediment in obtaining the mining licence sought if we succeed in the bidding or auction. Given that we have obtained the sea area use right certificate, the water extraction permit and the confirmation letter from the Xinhui Branch of Jiangmen City Land and Resources Bureau as mentioned above, our Directors are of the view that the likelihood for us to obtain the mining licence sought is high. Please refer to the paragraph headed “Non-compliance” for further details in this section.

BUSINESS

According to a resources verification report (the “**Hydrographic Office Report**”) in respect of the seawater hot spring resources of the sea plot close to the *Gudou Hot Spring Resort* dated May 2014 for the purpose of applying for the renewed water extraction permit issued by the Jiangmen Branch of Guangdong Hydrographic Office* (廣東省水文局江門水文分局) (the “**Jiangmen Hydrographic Office**”) (Note), the recommended maximum daily extraction rate for two extraction pipes was 2,000 cubic meters per day (i.e. 1,000 cubic metres per day per pipe) (representing 730,000 cubic metres per annum by using 365 days as one year as adopted in the Hydrographic Office Report). The Jiangmen Hydrographic Office confirmed that the resources information as stated in such Hydrographic Office Report remained correct up to May 2016.

The Jiangmen Hydrographic Office confirmed that the seawater hot spring resources are able to support the recommended maximum extraction rate as specified in the Hydrographic Office Report. Given that the maximum amount of seawater hot spring that our Group is allowed to extract under our water extraction permit for the seawater hot spring (730,000 cubic metres per annum) is equal to the said recommended maximum annual extraction rate, the risk that the seawater hot spring resources are insufficient for our Group to reach the maximum extraction volume permitted under relevant extraction permit is highly remote.

The Jiangmen Hydrographic Office also advised that as the seawater hot spring resources could be replenished naturally by sea water that flows underground and other underground water, the risk that the seawater hot spring resources will be depleted is highly remote as long as the actual extraction rate does not exceed the recommended maximum extraction rate. Accordingly, given our Group’s historical extraction volume during each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016 of approximately 120,097 cubic metres, 116,752 cubic metres and 74,709 cubic metres were below the said recommended maximum extraction volume, the risk that the seawater hot spring resources would be depleted is highly remote, and we believe our Group’s seawater hot spring resources are sufficient to support our Group’s operation going forward.

Note: We commissioned the Jiangmen Hydrographic Office to conduct a verification survey and to provide the Hydrographic Office Report on, among other things, the maximum extraction rate of the seawater hot spring resources of the sea plot close to our *Gudou Hot Spring Resort* for the purpose of applying for the renewed water extraction permit. The Jiangmen Hydrographic Office is a governmental entity responsible for, among others, collating and analysing hydrological data and monitoring the hydrological resources in Jiangmen City of Guangdong Province and is an Independent Third Party. The purpose of the Hydrographic Office Report was to evaluate water resources of our *Gudou Hot Spring Resort*, conduct an in-depth study as to the feasibility and rationality of our *Gudou Hot Spring Resort*, verify the reliability of the water resources, analyse the potential impact of our *Gudou Hot Spring Resort* on water recession, the condition of regional water resources, the water functional areas and other water users based on the proposed use by our Group and in accordance with the relevant regulations of The Ministry of Water Resources, State Development Planning Commission Decree No.15 “Appraisal and Qualifications for Water Resources Verification of Construction Projects*” (國家計委第15號令《建設項目水資源論證管理辦法》), State Council Decree No. 460 “Regulation on the Administration of the License for Water Extraction and the Levy on Water Resources*” (國務院第460號令《取水許可和水資源費徵收管理條例》), Ministry of Water Resources Decree No. 34 “Measures for the Administration of Water Extraction*” (水利部第34號令《取水許可管理辦法》) and “Water Resources Verification for Construction Projects*” (《建設項目水資源論證管理辦法》). The Hydrographic Office Report served as a scientific basis for the approval of the water extraction permit by the Water Administration Department* (水行政管理部門). The Hydrographic Office Report is derived based on, among others, geology, drilling, infrastructure and sampling information, by means of data gathering and analysis methodology, including investigations, sampling, testing, site inspection and field work. Information gathered by the Jiangmen Hydrographic Office has been analysed in line with national industry standards. The Jiangmen Hydrographic Office received a total commission of RMB145,000 from our Group for the research and preparation of the Hydrographic Office Report.

BUSINESS

Themed hotel complexes

We aim to provide our guests with impeccable services and an impressive array of amenities in unparalleled surroundings. We have four themed hotel complexes in our *Gudou Hot Spring Resort*, namely *Royal Spa Hotel*, *Hot Spring Villa Hotel*, *Holiday Lakeview Hotel* and *Mountain Seaview Hotel*. The table below sets forth the basic information on each themed hotel complex as at the Latest Practicable Date:

Themed hotel complex	Selections
<i>Royal Spa Hotel</i>	<ul style="list-style-type: none"> • <i>Tang Palace</i> • <i>Japanese Pavilion</i>
<i>Holiday Lakeview Hotel</i>	<ul style="list-style-type: none"> • <i>Dragon Spring Suite</i> • <i>Lakeview Guest Lodge</i> • <i>Beachfront Cabanas</i>
<i>Hot Spring Villa Hotel</i>	<ul style="list-style-type: none"> • <i>Hot Spring Guest Lodge</i> • <i>South Asian Villas</i> • <i>Baden Town Villas</i>
<i>Mountain Seaview Hotel</i>	<ul style="list-style-type: none"> • <i>Mountain Seaview Vacation Apartments</i>

Selected operating statistics of the themed hotel complexes

The tables below set forth the operating statistics of our themed hotel complexes during the Track Record Period:

(i) Room Revenue

The following table sets forth the Room Revenue generated from our four themed hotel complexes for the periods indicated:

	For the year ended 31 December				For the five months ended 31 May			
	2014		2015		2015		2016	
	RMB'000	% of total Room Revenue	RMB'000	% of total Room Revenue	RMB'000	% of total Room Revenue	RMB'000	% of total Room Revenue
<i>Royal Spa Hotel</i>	7,818	15.6	8,680	16.8	3,712	16.8	3,468	13.4
<i>Holiday Lakeview Hotel</i>	7,936	15.8	8,384	16.2	3,638	16.6	3,226	12.5
<i>Hot Spring Villa Hotel</i>	34,360	68.6	34,595	67.0	14,683	66.6	14,342	55.4
<i>Mountain Seaview Hotel</i>	—	—	—	—	—	—	4,824	18.7
Total	50,114	100.0	51,659	100.0	22,033	100.0	25,860	100.0

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(ii) Average Room Rates (Note)

The following table sets forth the average room rates for our four themed hotel complexes for the periods indicated:

	For the year ended 31 December		For the five months ended 31 May	
	2014	2015	2015	2016
	(RMB)	(RMB)	(RMB)	(RMB)
<i>Royal Spa Hotel</i>	830.1	764.3	831.6	786.4
<i>Holiday Lakeview Hotel</i>	307.2	298.1	315.5	331.0
<i>Hot Spring Villa Hotel</i>	277.7	299.3	325.0	299.1
<i>Mountain Seaview Hotel</i>	N/A	N/A	N/A	254.4
For all hotel complexes	315.2	333.1	360.2	319.0

Note: For the purpose of calculating the average room rate, the aggregate number of rooms within the villas/suites in the themed hotel complex is taken as the basis for considering the total number of rented room nights.

Average room rates measure average room prices attained by a hotel and average room rate trends provide useful information concerning the pricing environment and the nature of the customer base of a hotel. The actual room rate charged to guests depends on various factors, including the date the reservation is made, the date of the stay and the distribution channel through which the reservation is made.

(iii) Occupancy Rates (Note)

The following table sets forth the occupancy rates for our four themed hotel complexes for the periods indicated:

	For the year ended 31 December		For the five months ended 31 May	
	2014	2015	2015	2016
	%	%	%	%
<i>Royal Spa Hotel</i>	46.2	58.0	54.1	53.1
<i>Holiday Lakeview Hotel</i>	54.9	61.0	59.3	49.9
<i>Hot Spring Villa Hotel</i>	55.2	53.0	49.6	53.9
<i>Mountain Seaview Hotel</i>	N/A	N/A	N/A	33.6
For all hotel complexes	54.5	54.6	51.5	46.8

Note: For the purpose of calculating the occupancy rates, the aggregate number of rooms within the villas/suites in the themed hotel complex is taken as the total number of available room nights for calculation, and taken as the basis for considering the total number of rented room nights.

BUSINESS

Notwithstanding the occupancy rates for our four themed hotel complexes during the Track Record Period, having regard to the average occupancy rate of hotels in China, Guangdong Province and Jiangmen City in 2015 (being approximately 58%, 62% and 63%, respectively, according to the Crowe Horwath Report), were not low, in order to further improve the occupancy rates of our themed hotel complexes, we will continue to organise promotional events such as business forums, festivals, carnivals and sports competitions to promote the “Gudou” brand and our *Gudou Hot Spring Resort*. In addition, we will carry out regular repairs and maintenance of the hot spring and hotel facilities of our *Gudou Hot Spring Resort*, and the expected repairs and maintenance expenditure is approximately RMB2.4 million for the year ending 31 December 2016. We will also continue to provide quality facilities and services at competitive rates during non-peak periods. Based on our historical results, our themed hotel complexes generally benefit from the strong demand for hot spring facilities in the first and fourth quarters of the calendar year, with the fourth quarter generally better than the first quarter. The breakeven occupancy rate of our four themed hotel complexes for our hot spring and hotel operations was approximately 45.3%, 53.7% and 45.9%, respectively for the Track Record Period.

(iv) Revenue Per Available Room (RevPAR) (Note)

The following table sets forth the RevPAR for our four themed hotels for the periods indicated:

	For the year ended 31 December		For the five months ended 31 May	
	2014	2015	2015	2016
	(RMB)	(RMB)	(RMB)	(RMB)
<i>Royal Spa Hotel</i>	383.9	443.3	450.0	417.3
<i>Holiday Lakeview Hotel</i>	168.6	182.0	187.2	165.2
<i>Hot Spring Villa Hotel</i>	153.2	158.6	161.3	161.2
<i>Mountain Seaview Hotel</i>	N/A	N/A	N/A	85.4
For all hotel complexes	171.8	182.0	185.6	149.2

Note: For the purpose of calculating the RevPAR, the aggregate number of rooms within these villas/suites in the themed hotel complex is taken as the total number of available room nights for calculation.

BUSINESS

Description of the themed hotel complexes

(i) *Royal Spa Hotel*



Royal Spa Hotel

Royal Spa Hotel, comprising *Tang Palace* and *Japanese Pavilion*, was constructed with two distinctive themes, each inspired by the extravagance of Tang dynasty building style and the elegance of oriental and Japanese architectural design. The following table sets forth the number of villas, suites and rooms in *Royal Spa Hotel* as at 31 May 2016:

	villas	Number of suites	rooms
<i>Tang Palace</i>	5	11	—
<i>Japanese Pavilion</i>	—	4	26
Total	5	15	26

Our *Tang Palace* was constructed as a Chinese quadrangle (known as siheyuan (四合院)) and is aimed at simulating the Tang dynasty. Our *Tang Palace*, comprising five villas and 11 suites, are connected with well decorated pathways. Most of these suites have private gardens featuring hot spring pools. Guests can enjoy private hot spring facilities at their own villas or suites.



Tang Palace

BUSINESS

Our *Japanese Pavilion* was constructed with reference to Japanese architecture. It aims to provide guests with comfort and tranquility. There are a total of 26 rooms and four suites decorated with traditional Japanese ornaments. Our guests can enjoy hot spring facilities in wooden bath tubs at the private Japanese podium garden. Each suite has a private hot spring pool.



Japanese Pavilion

Surrounding *Tang Palace* and *Japanese Pavilion* is a courtyard featuring a Chinese-style hot spring pool, namely *Jiulong Pool* (九龍池).



Jiulong Pool

BUSINESS

(ii) *Holiday Lakeview Hotel*

Holiday Lakeview Hotel comprises *Dragon Spring Suite*, *Lakeview Guest Lodge* and *Beachfront Cabanas*. The following table sets forth the number of standalone complex, suites, rooms and cabanas in *Holiday Lakeview Hotel* as at 31 May 2016:

	Number of			
standalone complex	suites	rooms	cabanas	
<i>Dragon Spring Suite</i>	1	—	—	—
<i>Lakeview Guest Lodge</i>	—	2	116	—
<i>Beachfront Cabanas</i>	—	—	—	12
Total	1	2	116	12
	1	2	116	12

Dragon Spring Suite is a luxury standalone complex in our *Gudou Hot Spring Resort* comprising six rooms and a private outdoor hot spring pool with waterfall setting.



Dragon Spring Suite

BUSINESS

Lakeview Guest Lodge is a six-storey hotel building, surrounded by picturesque scenery overlooking the lake, offering two suites and 116 rooms.



Lakeview Guest Lodge

Beachfront Cabanas are located at the beach next to *Natural Spring Waterpark* and our *Gudou Honeymoon Island* (古兜蜜月島). The *Beachfront Cabanas* offer 12 coloured cabanas with different configurations.



Beachfront Cabanas



Gudou Honeymoon Island

(iii) *Hot Spring Villa Hotel*

Hot Spring Villa Hotel comprises *Hot Spring Guest Lodge*, *South Asian Villas* and *Baden Town Villas*. The following table sets forth the number of villas, suites and rooms in *Hot Spring Villa Hotel* as at 31 May 2016:

	villas	Number of suites	rooms
<i>Hot Spring Guest Lodge</i>	—	2	48
<i>South Asian Villas</i>	90	—	—
<i>Baden Town Villas</i>	111	—	—
Total	201	2	48
	201	2	48

BUSINESS



Hot Spring Guest Lodge

South Asian Villas and *Baden Town Villas* are our completed tourism property projects comprising villas, each featured with a private hot spring pool in its backyard. As part of our hot spring resort and hotel operations, we have entered into contractual arrangements with most of the property owners of *South Asian Villas* and a majority of the property owners of *Baden Town Villas*, pursuant to which we shall operate and manage their properties and shall be entitled to use their properties as hotel accommodation. Please refer to the sub-paragraph headed “Description of our tourism property development projects” for further details of *South Asian Villas* and *Baden Town Villas*.



Baden Town Villas



South Asian Villas

BUSINESS

(iv) *Mountain Seaview Hotel*

Mountain Seaview Hotel comprises *Mountain Seaview Vacation Apartments*. The following table sets forth the number of rooms in *Mountain Seaview Hotel* as at 31 May 2016:

	Number of rooms
<i>Mountain Seaview Vacation Apartments</i>	<u>739</u>

Mountain Seaview Vacation Apartments is our completed tourism property project comprising two towers of low-rise apartments, commercial units and carpark spaces. As part of our hot spring resort and hotel operations, we have entered into contractual arrangements with some of the property buyers pursuant to which we shall operate and manage their properties as hotel accommodation. Please refer to the sub-paragraph headed “Description of our tourism property development projects” for further details of *Mountain Seaview Vacation Apartments*.



Mountain Seaview Vacation Apartments

Other hotel facilities

As at the Latest Practicable Date, other facilities and amenities offered at our themed hotel complexes included the following:

- satellite television channels
- well-equipped work station
- free Internet access in the public area, meeting rooms and guest rooms and suites
- well-stocked bathroom amenities

BUSINESS

Ancillary recreational and leisure facilities

We offer ancillary recreational and leisure facilities and services in addition to hot spring facilities and accommodation. These primarily include a waterpark, conference facilities, massage and spa services, F&B services and merchandising facilities.

The revenue attributable to our ancillary services and facilities amounted to approximately RMB32.8 million, RMB30.2 million and RMB13.8 million, respectively, accounting for approximately 34.1%, 30.7% and 28.9% of our hot spring resort and hotel operations revenue, and approximately 15.9%, 14.9% and 24.3% of our total revenue, for each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016, respectively.

(i) *Natural Spring Waterpark*

With the geographical advantage of being located next to Xinhui Dongfanghong Reservoir, we operate our *Natural Spring Waterpark* at a site we leased from Gudou Hydropower Plant within our *Gudou Hot Spring Resort*. The total site area of the *Natural Spring Waterpark* is approximately 133,334 sq.m. Natural spring water streams through our *Natural Spring Waterpark*, which is equipped with, among others, a water slide, an artificial wave generator and paddle boats.



Natural Spring Waterpark



Water slide

BUSINESS

(ii) Pre-wedding and honeymoon photo-taking

We have a site inside our *Natural Spring Waterpark*, featuring our *Beachfront Cabanas* and a church, designated for pre-wedding or honeymoon photo-taking activities. We entered into an agreement with a wedding photography company, an Independent Third Party, in 2016 for a term of two years, under which the wedding photography company has an exclusive right to shoot wedding photos in our *Gudou Hot Spring Resort* at a consideration of RMB52,800 per year.



(iii) Meeting facilities

In *Gudou Hot Spring Resort*, we are committed to providing business travelers with an unparalleled environment where they can combine business and leisure. Opened in 2005, we consider that our *Gudou International Conference Centre* is a popular destination for hosting corporate events, such as management retreats, seminars, conventions, conferences, meetings as well as banquets. Our *Gudou International Conference Centre*, which has an aggregate GFA of 7,374.7 sq.m., comprises eight conference halls and meeting rooms in aggregate of varying scales and configurations, which are equipped with multimedia systems. We offer different settings for our meeting halls, such as board room meeting setting, banquet setting and private dining set up according to the needs and requirements of our customers.

Our *Gudou International Conference Centre* is located in close proximity to *Gudou Hot Spring Valley* where attendees can use the various kinds of hot spring facilities and relax and rejuvenate at the *Regimen Spa* after meetings or events.



Gudou International Conference Centre

BUSINESS

(iv) *Regimen Spa*

Our *Regimen Spa* offers various types of spa and body treatments.



Regimen Spa

(v) *Cableway and Plaza*

We cooperate with two individuals (“**Cableway Partners**”) who are to operate a cableway within our *Gudou Hot Spring Resort*. The entrance to the cableway is situated on a piece of land we leased from Gudou Hydropower Plant adjacent to our *Natural Spring Waterpark* whereas the intermediate platforms of the cableway are situated on our owned land. The cableway is approximately 1,060 metres long and takes approximately 20 minutes to reach the peak of Mount Xiongpo* (熊婆山峰頂) where visitors can enjoy a panoramic view of our *Gudou Hot Spring Resort* and the picturesque scenery of Mount Gudou (古兜山) and Huangmao Sea. Pursuant to the cooperation agreement entered into between us and the Cableway Partners, among other things, (i) we shall be responsible for obtaining the right to use the site either by way of lease or ownership; (ii) the Cableway Partners shall be responsible for the construction and operation of the cableway and the funding thereof; (iii) we shall be entitled to a fixed annual fee as stipulated in the cooperation agreement from the Cableway Partners for a term of 20 years; and (iv) the amount of annual fee upon expiry of the aforesaid 20 years shall be negotiated between the parties. To complement the cableway operation, we have also built a plaza, namely *God of Wealth Plaza* (財神廣場) at the entrance of the cableway.

BUSINESS



Cableway

(vi) F&B facilities

As at the Latest Practicable Date, our *Gudou Hot Spring Resort* had a total of four F&B outlets, all of which were operated by us. Right next to our *Gudou International Conference Centre* is our signature Chinese restaurant, *Yongya Pavilion* (雍雅軒). We consider that *Yongya Pavilion* is a popular choice for spring dinners of our corporate customers and other banqueting functions.



Yongya Pavilion

BUSINESS

(vii) Food and commercial stores

As at the Latest Practicable Date, there were 23 food stores located at *Gudou Hot Spring Resort*, serving a variety of food and drinks to the visitors. As at the Latest Practicable Date, there were 29 commercial stores located near *Natural Spring Waterpark* and around our themed hotel complexes, enabling our visitors to shop for souvenirs, swimming suits, body treatment products, etc.



(viii) Other facilities

As at the Latest Practicable Date, we also provided the following recreational and leisure facilities at our *Gudou Hot Spring Resort* (either provided by us or third-party service providers):

- a barbecue site
- a karaoke lounge
- a beach volleyball court

Management of hot spring resort and hotel operations

We manage the hot spring resort and hotel operations in our *Gudou Hot Spring Resort* with an aim to provide quality services to our guests.

We place great emphasis on the quality and consistency of our services in our hot spring resort and hotel operations. We have implemented a set of internal manuals which prescribes a standardised operational workflow and guidelines in various aspects of our hot spring resort and hotel operations. Our hot spring resort and hotel operations are managed by our hotel management team led by the vice president of our resort and hotel division. The vice president of our resort and hotel division, who shall report to the Board and is assisted by the financial controller, sales director, sales managers and front office managers, is primarily responsible for the implementation of periodic (monthly, quarterly and yearly) sales plans, operational plans, sales targets and business development plans and strategies, and subject to the approvals of the Board, the execution of such approved plans. We operate our hot spring resort and hotel operations according to our internal manuals. Our internal manuals prescribe guidelines on various operational aspects, including price setting, credit policy, contractual arrangements with the property owners of *South Asian Villas* and *Baden Town Villas* (forming part of our *Hot Spring Villa Hotel*) and the property owners of *Mountain Seaview Vacation Apartments* (forming part of our *Mountain Seaview Hotel*), complaints management and management of our sales channels. Our quality control team is responsible for overseeing the quality control of our hot spring resort and hotel operations.

BUSINESS

To uphold our *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. We also provide hospitality training to our hotel staff on a monthly basis.

TOURISM PROPERTY DEVELOPMENT BUSINESS

Along with our hot spring resort and hotel operations, we expanded our business portfolio to development and sale of tourism properties in *Gudou Hot Spring Resort*. As at the Latest Practicable Date, we had completed four tourism property projects with a total saleable GFA of 95,729.6 sq.m., namely *South Asian Villas*, *Baden Town Villas*, *Mountain Seaview Vacation Apartments* and *Joyful Apartments*. We are currently developing two other tourism property projects, namely *Mountain Seaview Vacation Residence* which will comprise mainly high-rise residential apartments and *Heart of Spring Apartments* which will comprise mainly low-rise apartments and commercial units. Construction of *Joyful Apartments* commenced in the third quarter of 2015 and was completed in November 2016. Construction of *Mountain Seaview Vacation Residence* commenced in the fourth quarter of 2015 and construction of the entire properties is expected to complete by the fourth quarter of 2017. Construction of *Heart of Spring Apartments* is expected to commence in the fourth quarter of 2016 and construction of the entire properties is expected to complete by the fourth quarter of 2017. The tourism properties developed or to be developed under our projects are principally categorised as villas, high-rise apartments, low-rise apartments, low-rise studio flats, commercial units and carpark spaces.

According to the Notice on Adjusting the Housing Structure and Stabilising Housing Prices (《關於調整住房供應結構穩定住房價格的意見》(國辦發〔2006〕37號)(the “**Notice**”), which was promulgated and took effective on 24 May 2006, each city in the PRC shall continue to cease land supply for villa type residential property development projects, and strictly limit the land supply for low-density and large size residential housing. Our PRC Legal Advisers take the view that, as the relevant land use rights of *South Asian Villas*, *Baden Town Villas*, *Mountain Seaview Vacation Apartments*, *Mountain Seaview Vacation Residence*, *Joyful Apartments* and *Heart of Spring Apartments* had been granted to us on or before 23 September 2004 and the relevant land supply procedures had been completed before 23 September 2004, the abovesaid limitations regarding land supply under the Notice do not apply to each of the aforesaid projects. If we engage in residential property development in the future, such property development will be subject to the Notice and other austerity measures and policies promulgated by the PRC government on the residential real estate industry. Such measures include, but are not limited to, (i) halt and restrict land supply for high-end and low density residential properties; (ii) enforce collection of business tax in relation to real estate transactions; (iii) restrict mortgage loans; (iv) moderate progress of property development and redevelopment; and (v) restrict provision of loan facilities to property developers. Such austerity measures coupled with our high levels of indebtedness and finance costs may materially and adversely affect the future development plan of our tourism property development business and we may become vulnerable during a downturn in general economic conditions or in our business. Please refer to the section headed “Regulatory overview — Austerity measures on the PRC residential real estate industry” of this prospectus for details of these measures.

BUSINESS

These measures may adversely affect market sentiment and dampen purchasers' confidence and consequently generate a change of the balance of demand and supply, adversely affect property pricing trends, hence causing a downturn of the PRC real estate market in general. Our Group may replicate our business model in developing tourism properties in other cities of the PRC, either in the form of residential or commercial properties. If our Group develops residential properties in the future, the land acquisition (in the case where new land is acquired), property development and sale may be restricted by these current measures and policies. In addition, any future promulgated measures and policies with respect to commercial properties may also adversely affect our Group's commercial property development and sales.

The aforesaid measures generally serve to halt or restrict land supply for villas, low-density or large size high-end residential housing, among others, development projects, regulate the structure proportion of the newly-built residential housing's dwelling size, restrict the amount of loans that a purchaser may obtain from banks, increase the amount of down payment for second property units purchase, limit the number of property a buyer could purchase, levying of property tax, regulate the number of large size units in property development project, and discourage investment and speculation in the housing market. It follows from the above that they are intended to target developments and purchases in low-density or large size high-end residential housing in order to discourage investment and speculation in the housing market, with a view to controlling growth of the PRC real estate market.

During the Track Record Period, the sales of tourism property derived from our tourism property development business amounted to approximately RMB110.1 million, RMB103.9 million and RMB9.2 million, respectively, representing approximately 53.3%, 51.4% and 16.1% of our total revenue for the same periods, respectively. The table below sets forth the breakdown of revenue from our sales of tourism properties for the periods indicated:

	For the year ended 31 December				For the five months ended 31 May			
	2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
<i>Baden Town Villas</i>	42,657	38.7	3,730	3.6	—	—	—	—
<i>Mountain Seaview Vacation Apartments</i>	67,451	61.3	100,141	96.4	22,331	100.0	9,176	100.0
Total	<u>110,108</u>	<u>100.0</u>	<u>103,871</u>	<u>100.0</u>	<u>22,331</u>	<u>100.0</u>	<u>9,176</u>	<u>100.0</u>

Portfolio of our completed tourism property development projects as at 31 May 2016

The table below sets forth a summary of our portfolio of completed tourism property development projects as at 31 May 2016:

Project	Status	Construction period	Property sale												
			Development cost incurred (RMB million)	Total actual or planned GFA (sq.m.)	Total GFA sold cumulatively (sq.m.)	GFA sold during Track Record Period (sq.m.)	Revenue from property sales during Track Record Period (RMB million)	Total actual or planned GFA held for sale (sq.m.)	Total actual or planned GFA held for investment (sq.m.)	Total no. of units sold cumulatively	Total no. of units held for sale	Market value as at 31 May 2016 (RMB million)	Interest attributable to our Group		
South Asian Villas (Note 1)	Completed	11/2004-09/2006	81.9	23,633.4	23,633.4	—	—	—	—	—	94	—	—	—	100%
Baden Town Villas (Note 2)	Completed	03/2006-09/2008	73.9	29,200.6	29,200.6	4,629.0	46.4	—	—	—	151	—	—	—	100%
Mountain Seaview Vacation Apartments (Note 3)	Completed	04/2014-12/2014	89.6	35,543.1	31,106.6	31,106.6	176.8	4,436.5	—	—	530	58	30.0	—	100%

Notes:

1. All 94 completed villas of South Asian Villas were sold before the Track Record Period.
2. Among all 151 sold villas of Baden Town Villas, 133 villas were sold before Track Record Period and 18 villas were sold during the Track Record Period.
3. 518 apartments, six commercial units and six carpark spaces of Mountain Seaview Vacation Apartments were sold during the Track Record Period. Total number of units held for sale for Mountain Seaview Vacation Apartments as at 31 May 2016 comprised 41 apartments, seven commercial units and 10 carpark spaces.

BUSINESS

Set forth below is a site map of the locations of our tourism property development projects, completed or under development, in our *Gudou Hot Spring Resort*:



1. *South Asian Villas* (completed properties)
2. *Baden Town Villas* (completed properties)
3. *Mountain Seaview Vacation Apartments* (completed properties)
4. *Joyful Apartments* (completed properties)
5. *Mountain Seaview Vacation Residence* (properties under development)
6. *Heart of Spring Apartments* (properties under development)

BUSINESS

Descriptions of our tourism property development projects

The following are detailed descriptions of each of our tourism property development projects. The commencement date relating to each project refers to the date on which construction of the first building of the project commenced. The completion date of a project set out in the descriptions of our completed projects refers to the date on which the construction completion examination report was obtained for each project. For projects under development, the completion date of a project reflects our best estimate based on our current development plans.

South Asian Villas



South Asian Villas

South Asian Villas is a residential community which is designed in a South Asian resort style. Each villa is built with a private hot spring pool in the backyard.

As at the Latest Practicable Date, the completed properties of *South Asian Villas* occupied an aggregate site area of approximately 40,741.0 sq.m. Construction of these properties commenced in November 2004 and was completed in September 2006. The completed properties comprise 94 villas with an aggregate saleable GFA of approximately 23,633.4 sq.m. which had been sold and delivered. All the sales revenue derived from *South Asian Villas* was recognised before the commencement of the Track Record Period.

South Asian Villas forms part of our *Hot Spring Villa Hotel* in *Gudou Hot Spring Resort*. We entered into lease agreements with some of the property buyers, pursuant to which we shall lease their properties for our hot spring resort and hotel operations. We had also entered into operation agreements with some of the property buyers of *South Asian Villas* pursuant to which we shall operate and manage their properties and shall be entitled to use their properties for our hot spring resort and hotel operations. As at the Latest Practicable Date, the property buyers of 90 out of the 94 villas sold in *South Asian Villas* had entered into such lease agreements or operation agreements with us. Of these property buyers, as at the Latest Practicable Date, 38 entered into lease agreements and 52 entered into operation agreements with us. Set forth below is a breakdown of the expiry of the relevant agreements:

Year of expiry of lease agreements/operation agreements	Number of villas
2017	6
2018	2
2019	2
2020	80
Total	<u>90</u>

BUSINESS

We do not intend to renew the existing lease agreements subsisting as at the Latest Practicable Date upon their expiry. Instead, upon the expiry of such existing lease agreements, we intend to enter into operation agreements with the counterparties. We have the foregoing intention principally because we consider that operation agreements, which under the relevant PRC laws are not required to be registered with the relevant authority upon execution, are subject to less administrative procedures and will therefore provide more flexibility and convenience in terms of our operations (as compared to lease agreements, which under the relevant PRC laws are required to be registered with the relevant authority upon execution). Please refer to the sub-paragraph headed “Contractual arrangement with property owners” in this section for further information on such contractual arrangements entered into between our Group and the property owners.

Baden Town Villas



Baden Town Villas

Baden Town Villas is located adjacent to the *South Asian Villas*. *Baden Town Villas* is a residential community designed with a European style. Similar to *South Asian Villas*, each villa is built with a private hot spring pool in the backyard.

As at the Latest Practicable Date, the completed properties of *Baden Town Villas* occupied an aggregate site area of approximately 46,275.0 sq.m. Construction of these properties commenced in March 2006 and was completed in September 2008. The completed properties comprise 151 villas with an aggregate saleable GFA of approximately 29,200.6 sq.m. which had been sold and delivered.

The purchasers of all 18 villas sold and delivered during the Track Record Period had been granted the relevant valid building ownership certificates.

The table below sets forth the GFA sold, revenue from sales, average selling price, cost of sales, average cost of sales and gross profit in connection with the property sales of this project during the Track Record Period:

	Year ended 31 December		Five months ended 31 May
	2014	2015	2016
GFA sold (<i>sq.m.</i>)	4,274	355	—
Revenue from sales (<i>RMB'000</i>)	42,657	3,730	—
Average selling price (<i>RMB/sq.m.</i>)	9,981	10,494	—
Cost of sales (<i>RMB'000</i>)	9,688	1,139	—
Average cost of sales (<i>RMB/sq.m.</i>)	2,267	3,204	—
Gross profit (<i>RMB'000</i>)	32,969	2,591	—

BUSINESS

Baden Town Villas forms part of our *Hot Spring Villa Hotel* in *Gudou Hot Spring Resort*. We entered into lease agreements with some of the property buyers pursuant to which we shall lease their properties for our hot spring resort and hotel operations. We also entered into operation agreements with some of the property buyers of *Baden Town Villas* pursuant to which we shall operate and manage their properties and shall be entitled to use their properties for our hot spring resort and hotel operations. As at the Latest Practicable Date, the property buyers of 101 out of the 151 villas sold in *Baden Town Villas* had entered into such lease agreements or operation agreements with us. Of these property buyers, as at the Latest Practicable Date, three entered into lease agreements and 98 entered into operation agreements with us. Set forth below is a breakdown of the expiry of the relevant agreements:

Year of expiry of lease agreements/operation agreements	Number of villas
2016	11
2017	49
2018	18
2019	20
2020	2
2021	1
Total	<u>101</u>

We intend to renew the existing operation agreements upon their expiry. 11 out of the 98 operation agreements subsisting as at the Latest Practicable Date are due to expire in 2016. We do not intend to renew the existing lease agreements subsisting as at the Latest Practicable Date upon their expiry. Instead, upon the expiry of such existing lease agreements, we intend to enter into operation agreements with the counterparties. We have the foregoing intention mainly because we consider that operation agreements, which under the relevant PRC laws are not required to be registered with the relevant authority upon execution, are subject to less administrative procedures and will therefore provide more flexibility and convenience in terms of our operations (as compared to lease agreements, which under the relevant PRC laws are required to be registered with the relevant authority upon execution). Please refer to the sub-paragraph headed “Contractual arrangement with property owners” in this section for further information on such contractual arrangements entered into between our Group and the property owners.

Mountain Seaview Vacation Apartments



Mountain Seaview Vacation Apartments

Mountain Seaview Vacation Apartments is a community comprising two towers of low-rise apartments, commercial units and carpark spaces. Construction of the *Mountain Seaview Vacation Apartments* commenced in April 2014 and was completed in December 2014.

As at the Latest Practicable Date, the completed properties of *Mountain Seaview Vacation Apartments* occupied an aggregate site area of approximately 35,935 sq.m., and comprised 559 apartments, 13 commercial units and 16 carpark spaces with an aggregate saleable GFA of approximately 35,543.1 sq.m. As at the Latest Practicable Date, 551 apartments, nine commercial units and 13 carpark spaces of *Mountain Seaview Vacation Apartments* with an aggregate saleable GFA of approximately 33,004.7 sq.m. had been sold and delivered. The remaining unsold completed properties comprise eight apartments, four commercial units and three carpark spaces with an aggregate saleable GFA of approximately 1,044.3 sq.m.

With respect to the tourism properties under *Mountain Seaview Vacation Apartments* sold and delivered during the Track Record Period, as at the Latest Practicable Date, we have submitted the relevant requisite materials required for the initial registration procedures of building ownership (房地產初始登記) and have obtained the relevant real estate titleship confirmation under the name of Guangdong Gudou. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had not encountered and does not expect to encounter any difficulties in completing its ownership registration-related obligations under the relevant sale and purchase agreements in respect of our Group's tourism properties. We are still within the stipulated time frame (being 730 days after the delivery of the property units to the purchasers) to make the aforesaid submissions pursuant to the relevant sale and purchase agreements of *Mountain Seaview Vacation Apartments*. Our PRC Legal Advisers advised that, provided that our Group submits the requisite materials by the aforementioned deadline, there will be no breach on the part of our Group of its ownership registration-related obligations under the relevant sale and purchase agreements in connection with *Mountain Seaview Vacation Apartments*, nor will there be any non-compliance by our Group in that respect with the PRC laws.

Our PRC Legal Advisers are of the view that, provided that the title ownership transfer registration has been duly completed, there is no legal impediment for the buyers of *Mountain Seaview Vacation Apartments* to obtain valid building ownership certificates.

BUSINESS

The table below sets forth the GFA sold, revenue from sales, average selling price, cost of sales, average cost of sales and gross profit in connection with the property sales of this project during the Track Record Period:

	Year ended 31 December		Five months ended 31 May
	2014	2015	2016
GFA sold (<i>sq.m.</i>)	12,916	16,616	1,575
Revenue from sales (<i>RMB'000</i>)	67,451	100,141	9,176
Average selling price (<i>RMB/sq.m.</i>)	5,222	6,027	5,826
Cost of sales (<i>RMB'000</i>)	32,490	41,765	3,959
Average cost of sales (<i>RMB/sq.m.</i>)	2,515	2,514	2,514
Gross profit (<i>RMB'000</i>)	34,961	58,376	5,217

The total development costs of *Mountain Seaview Vacation Apartments* (including the costs of land acquisition and construction) incurred up to 31 May 2016 were approximately RMB89.6 million. We have completed the renovation work for *Mountain Seaview Vacation Apartments* and as at the Latest Practicable Date, the total renovation costs of approximately RMB40.2 million had been fully paid.

Mountain Seaview Vacation Apartments forms part of our *Mountain Seaview Hotel* in *Gudou Hot Spring Resort*. We entered into operation agreements with some of the property buyers pursuant to which we shall operate and manage their properties and shall be entitled to use their properties for our hot spring resort and hotel operations for a term typically of three years. As of the Latest Practicable Date, the property buyers of 521 out of the 551 apartments sold in *Mountain Seaview Vacation Apartments* had entered into such contractual arrangement with us. Set forth below is a breakdown of the expiry of the operation agreements:

Year of expiry of operation agreements	Number of apartment units
2018	388
2019	133
Total	521

Please refer to the sub-paragraph headed “Contractual arrangement with property owners” in this section for further information on the contractual arrangements entered into between our Group and the property owners.

Joyful Apartments

Joyful Apartments is a tourism property project mainly comprising low-rise studio flats. Construction of *Joyful Apartments* commenced in the third quarter of 2015 and was completed in November 2016. We obtained the pre-sale permit (商品房預售許可証) of *Joyful Apartments* and commenced the pre-sale in December 2015. The units of our *Joyful Apartments* are expected to be delivered by the end of 2016. We expect to finance the capital costs in relation to *Joyful Apartments* primarily through our internally generated funds.

Joyful Apartments occupies a total site area of approximately 5,271.0 sq.m. and mainly comprises 162 studio flats and 23 commercial units with an aggregate saleable GFA of approximately 7,352.5 sq.m. As at the Latest Practicable Date, 155 studio flats and 13 commercial units of *Joyful Apartments* with an aggregate GFA of approximately 6,698.7 sq.m. had been pre-sold. The remaining unsold properties comprise seven studio flats and ten commercial units with an aggregate saleable GFA of approximately 653.8 sq.m. The table below sets forth the information on *Joyful Apartments*, based on our internal estimates, records and current project plan:

Status

Development costs incurred as at 31 May 2016 (RMB)	14.7 million
Estimated further development costs to be incurred (RMB)	12.4 million
Total saleable GFA (sq.m.)	7,352.5

Mountain Seaview Vacation Residence

Mountain Seaview Vacation Residence is a tourism property project under development mainly comprising high-rise apartments. We have obtained the relevant construction land planning permit (建設用地規劃許可証), the construction works planning permit (建設工程規劃許可証) and the construction works commencement permit (建設工程施工許可証). We have also obtained the pre-sale permit (商品房預售許可証) of *Mountain Seaview Vacation Residence* and commenced pre-sale in July 2016. Construction of *Mountain Seaview Vacation Residence* commenced in the fourth quarter of 2015, construction of the main building is expected to complete by the fourth quarter of 2016 and construction of the entire properties is expected to complete by the fourth quarter of 2017. We expect to finance the capital costs in relation to *Mountain Seaview Vacation Residence* primarily through our internally generated funds and net proceeds of the Placing.

BUSINESS

Mountain Seaview Vacation Residence is expected to occupy a total site area of approximately 10,875.0 sq.m. and mainly comprise 354 apartments and 89 carpark spaces with an aggregate saleable GFA of approximately 26,667.5 sq.m. As at the Latest Practicable Date, 118 apartments of *Mountain Seaview Vacation Residence* with an aggregate GFA of approximately 8,950.3 sq.m. had been pre-sold. The remaining unsold properties comprise 236 apartments and 89 carpark spaces with an aggregate saleable GFA of approximately 17,717.2 sq.m. The table below sets forth the information on *Mountain Seaview Vacation Residence*, based on our internal estimates, records and current project plan:

Status

Construction period	
— Commencement	Fourth quarter of 2015
— Expected completion	Fourth quarter of 2017
Development costs incurred as at 31 May 2016 (RMB)	33.0 million
Estimated further development costs to be incurred (RMB)	65.8 million
Total saleable GFA (sq.m.)	26,667.5

Heart of Spring Apartments

Heart of Spring Apartments is a tourism property project under development mainly comprising low-rise apartments and commercial units. We have obtained the relevant construction land planning permit (建設用地規劃許可証) and construction works planning permit (建設工程規劃許可証). Construction of *Heart of Spring Apartments* is expected to commence in the fourth quarter of 2016 and construction of the entire properties is expected to complete by the fourth quarter of 2017. We expect to finance the capital costs in relation to *Heart of Spring Apartments* primarily through our internally generated funds and net proceeds of the Placing.

Heart of Spring Apartments is expected to occupy a total site area of approximately 9,039.0 sq.m. and mainly comprise 296 apartments and 62 commercial units with an aggregate saleable GFA of approximately 17,701.5 sq.m. The table below sets forth the information on *Heart of Spring Apartments* based on our internal estimates, records and current project plan:

Status

Construction period	
— Commencement	Fourth quarter of 2016
— Expected completion	Fourth quarter of 2017
Development costs incurred as at 31 May 2016 (RMB)	17.3 million
Estimated further development costs to be incurred (RMB)	64.6 million
Total saleable GFA (sq.m.)	17,701.5

BUSINESS

Status of fulfillment of the major conditions before pre-selling Heart of Spring Apartments

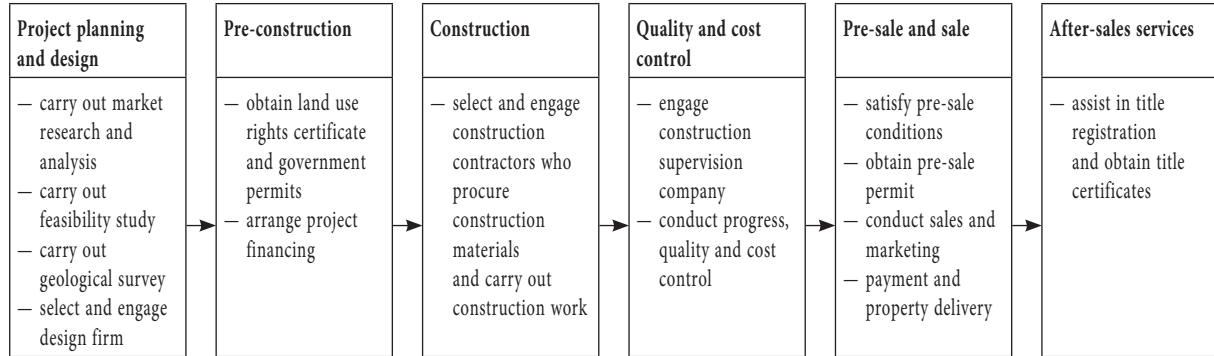
The land premium must have been paid in full	Paid in full
Obtain construction land planning permit	Obtained in February 2016
Obtain construction works planning permit	Obtained in October 2016
Obtain construction works commencement permit	Expected to be obtained in fourth quarter of 2016
At least 25% of the total project development investments must have been made	The investments and construction progress in relation to <i>Heart of Spring Apartments</i> shall be in accordance with the expected timetable and project plan. The net proceeds from Placing and our internally generated funds is sufficient to finance 25% of the total project development investment
The progress and the expected completion and delivery date of the construction must be certain	Construction of <i>Heart of Spring Apartments</i> is expected to commence in the fourth quarter of 2016. Based on the current project plan of <i>Heart of Spring Apartments</i> , the completion and delivery date of construction is expected to be in the fourth quarter of 2017
For buildings with 7 storeys or above, completed two-thirds of the construction work	Based on the current project plan, 70% of the construction work shall be completed by in first quarter of 2017
Set up designated bank account for the deposit of pre-sale proceeds	Shortly before the application for the pre-sale permit
Obtain the pre-sale permit after fulfilment of the preceding conditions	Based on the current project plan, our Group would have principally completed the major pre-requisites for obtaining the pre-sale permit in first quarter of 2017

Based on our historical experience, internal controls and the expected timetable agreed in the construction contracts entered with the contractors in the property development of our Group, our Directors are confident that the project progress of our properties under development will be consistent with the management plan.

BUSINESS

Project development and management procedures

The diagram below illustrates the processes we generally undertake in the development of a property project:



We endeavour to deliver high-quality tourism properties to our customers. Our process for the development of the tourism property projects in *Gudou Hot Spring Resort* includes, among other processes, project planning and design, pre-construction, construction, quality and cost control, pre-sale and sales and after-sales services.

Project planning and design

In the project planning process, we carry out market research and analysis to ascertain our targeted customers, the market demands and the nature and scale of our property development projects. Based on the conclusion of our market research, we carry out a feasibility study by taking into account our overall development strategy, our projected investment cost and cash flow requirements. Based on our feasibility study report, we will proceed to engage a qualified geological surveying company, an Independent Third Party, to conduct a geological survey of the site that we identified for the project.

Subject to the positive results of the geological survey conducted, we will proceed further to the overall design of our project. To achieve our distinctive design and enhance operating efficiency, we typically engage design firms which are Independent Third Parties to undertake the project design work. These firms are selected through a tender process and are required to submit to us their respective preliminary design proposals. Members from our property development team, technical team and administration team will form an internal panel to carry out the first review and evaluation of preliminary design proposals submitted. The vice president of our property operation will then be responsible for selecting the design firm from those short-listed by such internal panel. In selecting the design firm for any of our property projects, we normally take into account their proposed designs, reputation for reliability and service quality, their cooperation experience with us and the proposed fees. The amounts payable to the design firms are usually paid by instalments in accordance with the payment schedules as set out in the relevant contracts. Such payment terms are determined after arm's length negotiations between the parties, taking into account the prevailing market rates and the proposed schedule of the design process.

BUSINESS

Pre-construction

(i) Government permits

Once we have obtained the right to develop a parcel of land, we will apply for the various approvals, permits and licences that we need before the construction and sale of our properties. Details of the material certificates and permits required to commence construction are set out below:

- land use rights certificate — a certification of the right of a party to use a parcel of land;
- construction land planning permit — a permit authorising a developer to begin the survey, planning and design of a parcel of land;
- construction works planning permit — a certificate indicating government approval for a developer's overall planning and design of the project and allowing a developer to apply for a work commencement permit; and
- construction works commencement permit — a permit required for commencement of construction works.

(ii) Financing of projects

We finance our projects primarily through our internally generated funds. According to the laws of the PRC, we may pre-sell properties under construction after certain criteria are met, and proceeds from the pre-sales must be used for the construction of such properties. Sales and pre-sale proceeds constitute an important source of our operating cash inflow during our project development process. According to the Guideline on the Risk Management of Real Estate Loans of Commercial Banks (《商業銀行房地產貸款風險管理指引》) issued by the CBRC on 30 August 2004, no loans may be granted to projects which have not obtained the relevant land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit. According to the Notice on Adjusting and Perfecting the Capital System for Fixed Asset Investment Projects (《國務院關於調整和完善固定資產投資項目資本金制度的通知》) issued by the State Council on 9 September 2015, the minimum capital requirement for indemnificatory apartments and ordinary commodity housings is 20%, and the minimum capital requirement for other real estate development projects is 25%. Please refer to the section headed “Regulatory overview” of this prospectus for further details. We have not experienced a shortage of funds for the financing of our projects during the Track Record Period.

Construction

(i) Construction work

We outsource the construction works of all our tourism property development projects to qualified construction contractors which are Independent Third Parties.

The construction contractors of our tourism property development projects are selected through a tender process and are required to submit to us their respective tender documents which shall include, among others, the registration and qualification of the contractor, fee proposal and qualification of the responsible persons who will be undertaking the project. The

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tender process for selecting construction contractors is similar to the tender process for selecting our design firms. The vice president of our property operation will then be responsible for selecting the construction contractor from those short-listed by our internal panel. In selecting our construction contractors, we normally take into account factors including the qualification of the contractors, track record experience and capabilities, fee proposal, quality of previous works, reliability and credibility. We do not rely on any single construction contractor.

Our construction contracts include express terms on construction schedule, cost and work quality. Our contractors are responsible for procuring all the construction materials needed for the project. Please refer to the following sub-paragraph headed “Procurement of construction materials” for more details. Under our construction contracts, contractors are required to indemnify us for any losses we incur as a result of construction delay, in which case, the contractors are required to pay default interest on a daily basis. We make payments of contractor fee (inclusive of the costs of construction materials) to contractors by instalments according to the progress of construction works in accordance with the payment schedules as set out in the construction contracts. Such payment terms are determined after arm’s length negotiations between the parties, taking into account the respective prevailing market rates for construction fees and for the construction materials. Our construction contracts typically provide for the retention of a certain percentage of the total payment as a quality assurance retention amount. Depending on the type of construction work involved, such retention amount is released to the contractor upon the expiry of the relevant quality assurance period, which is generally six months to one year.

(ii) Procurement of construction materials

Our contractors are generally responsible for procuring all the construction materials for our property development projects. For construction materials procured by our contractors, the risk of price fluctuations will be borne by the contractors as the entire costs of construction materials are inclusive in the contractor fee payable by us to the contractor under the construction contract. We do not own any construction equipment or maintain any inventory of building materials. To maintain quality control of the construction materials, our contractors are required to purchase the major construction materials in accordance with our requirements and our appointed construction supervision company will inspect samples of the materials on site before commencement of work.

Quality and cost control

We engage construction supervision companies which are Independent Third Parties to supervise and control the progress of the construction, the quality of materials and equipment used and workmanship. The construction supervision company is required to report to us on a monthly basis the progress and the quality conditions of the projects. Our appointed construction supervision company is empowered to require our construction contractors to carry out necessary remedial actions if our construction supervision company becomes aware of any quality and safety issues.

During the Track Record Period, we had not experienced any material quality defects in the quality of our tourism property development projects.

As cost management, we will estimate the budget requirement for each tourism property development project. We closely monitor and control the actual cost incurred by reference to the budgeted cost from time to time.

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Pre-sale and sale

(i) Pre-sale

Consistent with market practice in the PRC, we pre-sell some of our tourism properties before completion of construction. Under the PRC laws, rules and regulations, property developers must satisfy certain conditions before they may pre-sell their properties under construction which, among others, include:

- the land premium must have been paid in full;
- the land use right certificate, the construction land planning permit, the construction works planning permit and the construction works commencement permit must have been obtained;
- at least 25% of the total project development investments must have been made;
- the progress and the expected completion and delivery date of the construction must be certain; and
- the pre-sale permit must have been obtained.

Generally, the local governments require developers and property purchasers to use standard pre-sale contracts prepared in collaboration with the local governmental authorities. Developers must file all pre-sale contracts with the local land bureau and local real estate administrative authorities within 30 days after entering into such contracts. Local governments often prescribe additional conditions which must be satisfied before property developers are permitted to commence the pre-sale of properties.

As advised by our PRC Legal Advisers, we had obtained the pre-sale permits required under the relevant applicable pre-sale laws, rules and regulations imposed by the governmental authorities for the pre-sale of our completed tourism property development projects. We satisfied the above pre-sale conditions before we started pre-selling such properties we developed and we applied the pre-sale proceeds only towards the settlement of construction costs and other project costs in accordance with the relevant statutory requirements for pre-sale.

(ii) Payment arrangement

Purchasers of our tourism properties, including the pre-sale tourism properties, may pay the purchase price using mortgage loans from banks. We normally require our purchasers to pay a non-refundable deposit upon entering into the sale and purchase agreements. If the purchasers subsequently default on the sale and purchase agreements, we will forfeit such deposit. The purchasers are generally required to pay the remainder of the purchase price within six months upon signing of the sale and purchase agreements unless prior credit facilities have been arranged, in which case we will generally grant to those customers whom we consider creditworthy a credit period of not more than 12 months. If purchasers choose to fund the purchase price payment by mortgage loans provided by banks, they are typically required to pay a down payment of not less than 50% of the total purchase price of the property, and the mortgagee banks will pay the remaining balance after the purchasers have completed the mortgage application procedures and the mortgagee banks approved the mortgages, failing which the purchasers shall pay the balance within 15 days after receiving the decline notice from the mortgagee banks or the payment

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notice from our Group, whichever is the earlier. The sale and purchase agreements stipulate the deadline that the purchasers are required to submit the required documents to complete the mortgage application. During the Track Record Period, one purchaser, three purchasers and nine purchasers of our properties defaulted payments of their purchase prices, and the amount of deposits forfeited by us amounted to RMB50,000, RMB3,500 and RMB51,000, respectively. The sale and purchase agreements do not contain any provisions that allow property buyers to delay payment of the consideration or set-off such consideration payable with any lease or operation fees receivable from our Group.

(iii) Delivery

We endeavour to deliver our tourism properties to our purchasers on a timely basis. We closely monitor the construction progress of our tourism property development projects, and conduct pre-delivery inspections to ensure timely delivery. The time frame for delivery is typically set out in the sale and purchase agreements. In relation to our properties for sale, after construction is completed, we need to file the completion and acceptance documents with the relevant local governments for record before we are able to deliver the tourism properties to our customers. Once the completion and acceptance documents are filed, our property development team will notify our customers in respect of delivery. We perform quality checks on the tourism properties before delivery to ensure quality. When we deliver the completed tourism property to our customers, we are also required to deliver the commodity property quality guarantee certificate (商品住宅質量保證書). For further details, please refer to the paragraph headed “Product returns and warranty” of this section. Our Directors confirm that during the Track Record Period, we had not received any reports from the purchasers regarding the quality of our properties delivered.

If we fail to deliver the tourism properties to our purchasers on time as stipulated in the sale and purchase agreements, we will typically be liable to pay a monetary penalty in an amount ranging from 0.05% to 0.1% of the sales proceeds per day. Our Directors confirm that during the Track Record Period, we did not experience any delay in the delivery of properties to our purchasers and were not liable to pay any monetary penalty.

After-sale services

Our property development team is responsible for providing our after-sale services, which include assistance in individual title registration and obtaining relevant building ownership certificates by providing all requisite information to the local authorities for registration. The local authorities will then grant an individual building ownership certificate for each tourism property unit. Under our typical sale and purchase agreement, we are required to submit the documents required for obtaining the relevant building ownership certificate to the property registration department within two years of delivery of properties.

CONTRACTUAL ARRANGEMENT WITH PROPERTY OWNERS

In order to provide a wider selection of our hotel accommodations to our guests and have a greater flexibility in the availability of our hotel accommodations, we have entered into contractual arrangements with the majority of the property owners of our tourism property development projects in *Gudou Hot Spring Resort*, namely *South Asian Villas*, *Baden Town Villas* and *Mountain Seaview Vacation Apartments*, pursuant to which we may use their properties as part of our hotel accommodations. There are two types of agreements under such arrangement.

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Set out below are the respective salient terms of the two types of agreements we entered into with the property owners under such arrangement.

Lease agreements

As at the Latest Practicable Date, we had entered into lease agreements with the property owners of 38 villas of *South Asian Villas* and three villas of *Baden Town Villas*, pursuant to which our Group shall lease their properties for our hot spring resort and hotel operations for a term of five years or above generally. Set out below are the salient terms of our typical lease agreements:

Our Group's rights and obligations:

- Operation and management: our Group shall operate and manage and shall be entitled to use the property as part of our hotel accommodation during the term
- Repair and maintenance: our Group shall be responsible for carrying out regular repairs and maintenance of the property during the term
- Management fees and utility expenses: our Group shall be responsible for all the management fees, utility expenses and repairs and maintenance costs and expenses during the term

Property owner's rights and obligations:

- Accommodation for self use: property owner shall be entitled to occupy and stay in the property for certain number of days every year
- Rent payment: depending on the terms of the lease agreement, property owner of a tourism property sold in a furnished condition shall be entitled to receive either (i) fee payment calculated on a daily basis based on the actual number of days that the property was let out by our Group as hotel accommodations in every calendar month, or (ii) monthly fixed fee payment (*Note*)
- Waiver of management fee and utility expenses: property owner shall not be required to pay the management fees and utility expenses during the term

Note: During any of the advertising campaigns in respect of the sales of our tourism properties, there was no commitment on the part of our Group to fix an amount of the monthly fee based on any minimum amount or any guaranteed return (i.e. income and capital gains from an investment). The monthly fixed fee was determined with reference to market rent at the time when the lease agreement was signed. During the Track Record Period, we paid approximately RMB8.9 million, RMB6.2 million and RMB1.2 million respectively, pursuant to the lease agreements. The operating lease commitment for monthly fixed fee payment under the subsisting lease agreements as at 31 December 2014, 31 December 2015 and 31 May 2016 amounted to approximately RMB18.3 million, RMB11.1 million and RMB10.5 million, respectively.

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Under the lease agreements, termination requires the mutual consents of our Group and the property owners. In general, neither our Group nor the property owners could terminate the agreements unilaterally unless the other party breaches the agreement. There is no profit sharing arrangement between the relevant Group member and the property owners, nor is there any rate of return offered to the property owners. As at the Latest Practicable Date, there were 41 lease agreements.

Properties that we leased from the property owners pursuant to such lease agreements are counted towards our leased properties. Please refer to the paragraph headed “Properties” in this section for details of our leased properties.

Operation agreements

To provide us with more flexibility in our hot spring resort and hotel operations and an alternative to the lease agreements which are generally for a term of five years or above, since 2013, we have been entering into a new form of contractual arrangement with the property owners.

As at the Latest Practicable Date, we had entered into operation agreements with the property owners of 52 villas of *South Asian Villas*, 98 villas of *Baden Town Villas* and 521 apartments of *Mountain Seaview Vacation Apartments*, pursuant to which our Group shall operate and manage their properties and shall be entitled to use their properties for our hot spring resort and hotel operations for a term of two to three years generally. Set out below are the salient terms of our typical operation agreements:

Our Group’s rights and obligations:

- Renovation (if applicable): if the tourism property is sold in a bare shell condition, our Group shall undertake the renovation work for the tourism property at our Group’s own costs and expenses
- Furnitures and electrical appliances (if applicable): if the tourism property is sold in a bare shell condition, our Group shall furnish the property fully with furniture and electrical appliances at our Group’s own costs and expenses
- Repair and maintenance: our Group shall be responsible for carrying out regular repairs and maintenance of the property during the term
- Management fee and utility expenses: our Group shall be responsible for all the management fees, utility expenses and repairs and maintenance costs and expenses during the term
- Operation and management: our Group shall have the right to operate, manage and use the property as part of our hotel accommodation during the term

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Property owner's rights and obligations:

- Accommodation for self use: property owner shall be entitled to occupy and stay in the property for certain number of days every year (the number of days varies depending on whether the tourism property is sold in a bare shell condition)
- Fee payment (if applicable): depending on the terms of the operation agreement, property owner of a tourism property sold in a furnished condition shall be entitled to receive either (i) fee payment calculated on a daily basis based on the actual number of days that the property was let out by our Group as hotel accommodation in every calendar month, (ii) monthly fixed fee payment (*Note 1*), or (iii) nil fee payment. (*Note 2*)
- Alteration to the decoration and fixtures: property owner shall not have the right to alter the structure or decoration, or to remove the fixtures and furnitures, or to carry out any renovation work

Notes:

1. During any of the advertising campaigns in respect of our tourism properties, there was no commitment on the part of our Group to fix an amount of the monthly fee based on any minimum amount or any guaranteed return (i.e. income and capital gains from an investment). The monthly fixed fee was determined with reference to market rent at the time when the operation agreement was signed. We paid approximately RMB1.0 million, RMB2.8 million and RMB2.0 million during the Track Record Period respectively, pursuant to the operation agreements. The operating lease commitment for monthly fixed fee payment under the subsisting operation agreements as at 31 December 2014, 31 December 2015 and 31 May 2016 amounted to approximately RMB0.6 million, RMB0.6 million and RMB4.8 million, respectively.
2. Under the circumstances where the tourism property was sold in bare shell condition, the property owner would generally sign the "nil fee payment" operation agreement on the condition that our Group undertakes the renovation work for such tourism property at our Group's own costs and expenses and in return our Group shall have the right to operate, manage and use the property as part of our hotel accommodation during the term without any fee payment to the property owner. The renovation budget for the relevant tourism property in bare shell condition would be determined before the renovation starts with reference to the estimated total rental payment amount that would otherwise be charged during the term of the operation agreement if our Group had not undertaken the renovation work. Such renovation costs, when incurred, would be recognised as prepayments and amortised over the term of the operating lease. The "nil fee payment" operation agreements are merely arrangements that allow property owners to save up renovation costs in return for giving up the right to receive future rental income, as such, the "nil fee payment" operation agreements do not affect the property's selling price.*

* Our Group also signed "nil fee payment" operation agreements with property owners for five well-decorated villas of Baden Town Villas during the Track Record Period, which were sold at prices netted with the estimated rental costs as prepaid rental. Such arrangements were set up because instead of receiving the rental income over the term of the operation agreements, the relevant property owners preferred to receive a discount (equivalent to the estimated rental payment to the property owners) on the property prices as a prepayment of the rental income. The property owners give up the right to receive future rental income. The selling prices of the sale transactions were recorded in our Group's accounts at the netted selling prices plus the estimated rental costs and the estimated rental charges are amortised over the term of the operating lease.

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Not all buyers of our tourism properties entered into lease agreements or operation agreements with us. Some of the apartments of *Mountain Seaview Vacation Apartments* were sold in bare shell condition and the buyers of which did not enter into the “nil fee payment” operation agreements with us and most of the buyers of villas of *Baden Town Villas* did not enter into the “nil fee payment” operation agreements with us. Our Directors therefore do not consider that buyers’ interest in purchasing our tourism properties is driven by the “nil fee payment” arrangement option under the operation agreements. The estimated rental charges amortised over the term of the nil fee payment arrangement amounted to approximately RMB0.5 million, RMB0.6 million and RMB5.8 million and represented approximately 0.2%, 0.3% and 10.3% of the total revenue for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016, respectively. The sales attributable to properties, the owners of which subsequently entered into the “nil fee payment” operation agreements, amounted to approximately RMB76.2 million, RMB62.4 million and RMB9.2 million and represented approximately 69.3%, 60.0% and 100.0% of the total property sales for the years ended 31 December 2014 and 2015 and for the five months ended 31 May 2016, respectively. During the Track Record Period, we had not incurred any losses under the “nil fee payment” operation agreements.

To the best knowledge and based on the past industry experience of our Directors, the entry of “nil fee payment” operation agreements may not be an industry norm in Jiangmen City. Our PRC Legal Advisers have confirmed that such “nil fee payment” operation agreements are in compliance in all material respects with the applicable laws and regulations in the PRC.

The major financial impacts of not entering into the “nil fee payment” operation agreements are:

1. on balance sheet items: decrease in prepaid rental expenses and increase in cash and bank balances both by approximately RMB0.8 million, RMB0.6 million and RMB0.3 million as at 31 December 2014, 31 December 2015 and 31 May 2016, respectively; and
2. on profit or loss items: increase in rental expenses and decrease in amortisation of prepaid rental expenses both by approximately RMB0.5 million, RMB0.6 million and RMB0.3 million for the years ended 31 December 2014, 31 December 2015 and for the five months ended 31 May 2016, respectively.

Under the operation agreements, termination requires the mutual consents of our Group and the property owners unless one of the parties breaches the agreements. Some of the operation agreements provide our Group with the right to terminate the agreement if the subject property is damaged due to force majeure. In general, neither our Group nor the property owners could terminate the agreements unilaterally unless the other party breaches the agreement. There is no profit sharing arrangement between the relevant Group member and the property owners, nor is there any rate of return offered to the property owners. As at the Latest Practicable Date, there were 671 subsisting operation agreements.

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Difference and accounting treatments of the contractual arrangements

The main difference between these two types of arrangements can be summarised as follows:

	Lease agreements	Operation agreements
Duration of the term:	generally for a term of five years or above	generally for a shorter term of two to three years
Condition in which the tourism property was sold to the property owner:	all the tourism properties were sold in furnished condition	a majority of the tourism properties were sold in bare shell condition some of the tourism properties were sold in furnished condition
Monetary payment to property owners:	all property owners, depending on the terms of the agreement, are entitled to receive fee payment of either a fixed amount or a floating amount based on the actual number of days that the property was let out by our Group as hotel accommodation	for the tourism properties which were sold in bare shell condition, the property owners are not entitled to any fee payment for the arrangement given the property owner's entitlement to free renovation, furniture and electrical appliances for the tourism properties which were sold in furnished condition, the property owners are, depending on the terms of the operation agreements, (i) entitled to receive fee payment for the arrangement of either a fixed amount or a floating amount based on the actual amount of days that the property was let out by our Group as hotel accommodation or (ii) not entitled to receive any fee payment for the arrangement but will receive a discount on the selling price of the property
Property owners' other rights:	all property owners do not enjoy the right to receive free renovation, furniture and electrical appliances for the subject tourism properties	a majority of the property owners are entitled to receive free renovation, furniture and electrical appliances for the subject tourism properties which were sold in a bare shell condition

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The sale of our Group's properties and the leasing of such properties from the property owners by our Group constituted sale and leaseback transactions and operating leases within the scope of HKAS 17 Leases. In accordance with paragraph 62 of HKAS 17, "if the leaseback is an operating lease, and the lease payments and the sale price are at fair value, there has in effect been a normal sale transaction and any profit or loss is recognised immediately". HKAS 17 defines fair value as "the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction". Our Group's properties sales (including the properties which are subject to contractual arrangements) were conducted in an orderly market governed by government authorities, the prices and terms of the sales were agreed upon between our Group and the potential purchasers after arm's length negotiation and the purchasers (other than Mr. Hon, Mr. K.F. Hon and Fu An Trading as disclosed in the paragraph headed "Customers" in this section) were Independent Third Parties. Accordingly, our Directors consider that the sale of the properties were transacted at fair value as defined in HKAS 17. The terms of the lease agreements and operation agreements regarding the leaseback of the properties by our Group were negotiated with individual property owners on arm's length basis taking into account the individual properties' features and the owners were Independent Third Parties. Accordingly, our Directors consider the terms of the lease agreements and operation agreements (including lease payments) were also established at fair value in arm's length transactions as defined in HKAS 17. We had accordingly recorded such transactions as normal sale and operating lease transactions in accordance with HKAS 17 and the profit or loss is recognised immediately.

Under certain circumstances where the tourism properties were sold in bare shell condition, "nil fee payment" operation agreements would be signed on the condition that our Group undertakes the renovation work at our Group's own costs and expenses. The renovation budgets for relevant tourism properties will be determined by making reference to the estimated rental payment amount that would otherwise be charged under the operation agreements if our Group does not undertake the renovation work at our Group's own costs and expenses. The estimated rental payment amount is determined by making reference to the rental charges of other similar tourism properties of our Group. The renovation costs, when incurred, would be recognised as prepayments and amortised over the terms of the operating lease. Accordingly, our Directors consider that the terms of such "nil fee payment" operation agreements were also established at fair value.

Our Directors are of the view that the sale of our Group's properties and the leasing of such properties from the property owners by our Group under the lease and operation agreements (apart from the sale of five villas of *Baden Town Villas* as detailed below) are normal sale and operating lease transactions in accordance with HKAS 17.

Notwithstanding the foregoing, five villas of *Baden Town Villas* were sold during the Track Record Period at prices netted with the estimated rental costs as prepaid rental. Such arrangements were set up because, instead of receiving the rental income over the term of the operation agreements, the relevant property owners preferred to receive a discount on the property prices as a prepayment of the rental income. The selling prices of the sale transactions were recorded in our Group's accounts at the netted selling prices plus the estimated rental costs (i.e. the theoretical fair value prices) and the estimated rental charges are amortised over the terms of the operating lease. The estimated rental charges were determined by making references to the rental charges of other villas of *Baden Town Villas*. Our Directors confirm that the theoretical fair value prices are comparable to the selling prices of other villas of *Baden Town Villas* sold, which were transacted at fair value as discussed above. Therefore, the sale of the aforesaid five villas of *Baden Town Villas* together with the leasing of such properties from the property owners by our Group were also established at fair value in substance.

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According to paragraph 61 of HKAS 17, “if the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used.” Our Directors are of the view that the accounting treatment for the sale of the aforesaid properties and the contractual arrangement between our Group and the property owners for using such properties as hotel accommodation by our Group at nil fee payment is consistent with HKAS 17.

The villas that are the subject of the lease agreements are classified as our leased properties, and comprise our leased properties in PRC under the sub-paragraph headed “Properties — Leased land and properties — (ii) Leased properties in PRC” of this section.

The respective accounting policies related to sale and leaseback, and the disclosure notes related to operating lease charges, prepayments and the lease commitments of the lease and operation agreements were properly disclosed in notes 2.7, 11, 22 and 41 to the Accountant’s Report set out in Appendix I to this prospectus.

As set out in the Accountant’s Report in Appendix I to this prospectus, the consolidated financial information of our Group for each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016 are prepared in accordance with HKFRSs. PricewaterhouseCoopers, our reporting accountant, issued an unqualified opinion on the consolidated financial information of our Group, as a whole for each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016.

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Owned land and properties

The following table sets forth the details of our owned land and properties as of 30 September 2016:

Number	Properties category	Total site area (sq.m.)	%	GFA (sq.m.)	%	Market value (RMB million)	Properties projects
1.	Land and properties for self-use	111,239.0	22.6	38,938.5	37.7	189.6	Hotels i) <i>Holiday Lakeview Hotel</i> (site area of approximately 2,544 sq.m.) ii) <i>Hot Spring Villa Hotel</i> (site area of approximately 1,235 sq.m.) iii) <i>Royal Spa Hotel</i> (site area of approximately 42,065 sq.m.) Other facilities i) <i>Gudou International Conference Centre</i> (site area of approximately 6,135 sq.m.) ii) Cableway intermediate platforms (site area of approximately 1,035 sq.m.) iii) Gudou Property Management Office (site area of approximately 26,837 sq.m.) Office and staff dormitory (site area of approximately 31,388 sq.m.) i) Office ii) Dormitory

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Number	Properties category	Total site area (sq.m.)	%	GFA (sq.m.)	%	Market value (RMB million)	Properties projects
2.	Land and properties held for sale	35,935.0	7.3	1,795.9	1.7	19.3	23 unsold apartments, 6 unsold commercial units and 10 unsold carpark spaces of <i>Mountain Seaview Vacation Apartments</i> .
3.	Land and property under development	27,330.0	5.5	62,241.9	60.2	200.4	<p>A commercial complex known as <i>Gudou Yue Quan Wan Regimen and Recreation Centre</i> of five-storeyed in height upon completion is under development. <i>Gudou Yue Quan Wan Regimen and Recreation Centre</i> is currently expected to be a health and regimen themed hotel to be operated by us and will tentatively be in use in 2018. The major associated risks in relation to the development of <i>Gudou Yue Quan Wan Regimen and Recreation Centre</i> include uncertainties as to whether we are able to complete the renovation of <i>Gudou Yue Quan Wan Regimen and Recreation Centre</i> on time and within budget, and possible seasonality which may contribute to low average occupancy rate akin to our themed hotel complexes and thus fluctuation on our results of operations of <i>Gudou Yue Quan Wan Regimen and Recreation Centre</i>. The current estimated investment cost of <i>Gudou Yue Quan Wan Regimen and Recreation Centre</i> is approximately RMB22.8 million, of which approximately RMB12.3 million remained unpaid as at 31 May 2016. We expect to finance the capital costs in relation to <i>Gudou Yue Quan Wan Regimen and Recreation Centre</i> primarily through our internally generated funds and/or bank borrowings.</p> <p>A tourism property project mainly comprising low-rise studio flats known as <i>Joyful Apartments</i> (which was under development as at the property valuation date of 30 September 2016) was completed in November 2016.</p> <p>A tourism property project mainly comprising high-rise apartments known as <i>Mountain Seaview Vacation Residence</i> is under development. Construction of the entire properties is expected to complete by the fourth quarter of 2017. A tourism property project mainly comprising low rise apartments and commercial units known as <i>Heart of Spring Apartments</i> is under development. Construction of the entire properties is expected to complete by the fourth quarter of 2017. Please refer to the paragraphs headed “Tourism property development business — Descriptions of our tourism property development projects — <i>Joyful Apartments</i>”, “Tourism property development business — Descriptions of our tourism property development projects — <i>Mountain Seaview Vacation Residence</i>” and “Tourism property development business — Description of our tourism property development projects — <i>Heart of Spring Apartments</i>” of this section for details.</p>

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Number	Properties category	Total site area (sq.m.)	%	GFA (sq.m.)	%	Market value (RMB million)	Properties projects
4.	Land and properties held for investment	83,788.0	17.0	369.0	0.4	218.6	Parcels of land subject to a right to use for commercial usage
5.	Land and properties held for future development	234,328.0	47.6	35.5	0.03	391.4	Parcels of land subject to a right to use for accommodation and F&B purposes
Total		492,620.0	100.0	103,380.8	100.0	1,019.3	

Leased land and properties

The following table sets forth the details of our leased land and properties as of 30 September 2016:

(i) *Leased land*

No.	Usage	Address	Landlord	Total site area (sq.m.)	Term	Amount of the rent/usage fee per year (RMB)
1.	Gardening and Landscaping	A parcel of land located at Gudou Bridge Yuan Wang Ji Teahouse (古兜橋原旺記茶樓) and the red line entrance of Gudou Hot Spring Resort (度假村新入口紅線) from east to south, Songzaikeng Drainage (松仔坑水渠) and Gudou Chong River (古兜沖河) from west to north next to the Gudou Hot Spring Resort	Jiangmen City Xinhui Yamen Gudou Economic Association* (江門市新會區崖門鎮古兜經濟聯合社) and Jiangmen Xinhui Yamen Gudou Villagers' Committee* (江門市新會區崖門鎮古兜村民委員會)	23,333.5	9 June 2010 to 9 June 2030	80,000 per year (9 June 2010 to 8 June 2020) 88,000 per year (9 June 2020 to 8 June 2030)
2.	(i) Cableway Station, (ii) Natural Spring Waterpark and (iii) Beachfront Cabanas	A parcel of land located at Gudou Hot Spring Resort (古兜度假村景區內)	Gudou Hydropower Plant	133,334.0	20 November 2013 to 19 November 2033	RMB300,000

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(ii) Leased properties in PRC

Usage	Address	Landlord	Total GFA (sq.m.)	Term	Amount of rent per year (RMB)
Part of our hotel accommodation offered to hotel guests	(i) 38 villas of <i>South Asian Villas</i> ; and (ii) 3 villas of <i>Baden Town Villas</i> located at <i>Gudou Hot Spring Resort</i>	Property owners	9,669.0 (Sizes range from 177.72 sq.m. to 281.7 sq.m. per villa)	Note 1	Note 2

Notes:

1. We entered into lease agreements with the property owners at different points in time and as such, each one of them will expire at different points in time. The term under the lease agreements is generally of five years or above. Please refer to the paragraph headed "Tourism property development business — Description of our tourism property development projects" of this section for more details.
2. Depending on the terms of a particular lease agreement, property owners shall be entitled to receive either (i) rental payment calculated on a daily basis based on the actual number of days that the property was let out by our Group as hotel accommodations in every calendar month, or (ii) monthly fixed fee payment. Please refer to the paragraph headed "Tourism property development business — Contractual arrangement with property owners — Lease agreements" of this section for more details.

(iii) Leased property in Hong Kong

As at the Latest Practicable Date, we leased an office in Hong Kong from an Independent Third Party, details of which are set out below. As at the Latest Practicable Date, our Directors were not aware of any event that would lead to termination of the tenancy agreement of such leased property by the landlord.

Usage	Address	Landlord	GFA (sq.ft.)	Term	Amount of the rent per year
Office	Unit 1103A, 11th Floor, High Block (COSCO Tower) of Grand Millennium Plaza, No. 183 Queen's Road Central and No. 33 Wing Lok Street, Hong Kong	MBA Capital Limited	1,547	20 December 2015 to 19 December 2017	HK\$891,072 from 20 December 2015 to 19 December 2017 (exclusive of management fee, government rates and government rent)

As at the Latest Practicable Date, our Directors were not aware of any event that would lead to termination of the lease agreements by the landlords or non-renewal of the lease agreements referred to above.

Please refer to the property valuation report in Appendix III to this prospectus for further details of our owned and leased property interests.

BUSINESS

Investment properties portfolio

As at 30 September 2016, we had investment properties with a total site area of approximately 299,678 sq.m. (which corresponds to properties 14 and 15 in the property valuation report set out in Appendix III to this prospectus) comprising land held for undetermined use and land held for development of investment properties. These properties are held by us to earn rentals and/or for capital appreciation. Our Group had been exploring the feasibility of using a certain portion of these investment properties (tentatively approximately 39.7% of our Group's investment properties in terms of fair value as at 30 September 2016) for development of additional hospitality and ancillary facilities, including a five-star hotel on parcels of land with a site area of approximately 33,841 sq.m. and a centre consisting of regimen facilities on parcels of land with a site area of approximately 49,947 sq.m. With a view to further strengthening our Group's hot spring resort and hotel operations, it is our Group's plan to engage an experienced five-star hotel management company and an experienced regimen centre management company to operate the proposed five-star hotel and the proposed regimen centre, respectively. Such plan is formulated with a view to diversifying our hot spring resort and hotel operations and expanding our customer base and to capitalising on our positive outlook of the tourism trend with the element of health regimen. Our Directors consider that such proposed plan, if materialised, would complement our existing hot spring resort and hotel operations and tourism property development and will not have any adverse effect on the existing business of *Gudou Hot Spring Resort*.

The five-star hotel is expected to be a luxury hotel and the health regimen centre is planned to comprise health regimen facilities and commercial units. Tentatively, we plan to commence the construction of both the five-star hotel and the health regimen centre in or after 2019. The major associated risks in relation to the five-star hotel and health regimen facilities include uncertainties as to whether we will be able to complete the development or construction of these buildings and facilities on time and within budget, whether we will be able to engage targeted specialised management companies to operate them in order to benefit from their experience and expertise and to effectively control and manage our operational resources, and possible seasonality which may contribute to a low average occupancy rate akin to our themed hotel complexes and thus fluctuation of our results of operations of the hotel and facilities. As the five-star hotel is planned to be operated by an experienced and specialised hotel management company, we expect such hotel to target high-end customers and as such it is within our anticipation that such hotel will be positioned at a comparatively higher end along the spectrum than our existing themed hotel complexes. The health regimen facilities centre is also expected to be operated by an experienced regimen centre management company and is planned to offer a more diversified range of health regimen services than those currently offered in our existing *Regimen Spa*. Accordingly, the planned business model of the proposed five-star hotel and health regimen facilities centre is slightly different from that of our Group's existing themed hotel complexes and *Regimen Spa*, and hence we cannot assure that such business model will be successful and profitable.

The aforesaid plans are still at an initial stage and we have not commenced any discussion with third party service providers in connection with these two projects. We have also yet to decide on the details of the cooperation arrangements or the extent to which our Group will be involved in the management of such facilities. In short, there are no confirmed details at present. As at the Latest Practicable Date, we had not resolved nor reached any binding agreement on any development schedule of our investment properties or expected capital expenditure involved.

BUSINESS

Based on the preliminary development plan, including the approximate size of the site area and the tentative style of the hotel and health regimen facilities, it is estimated that the investment costs of the proposed five-star hotel and health regimen facilities are approximately RMB361.4 million and RMB125.5 million, respectively. The actual development costs are subject to the final development plans. We expect to finance the capital costs in relation to the aforesaid potential developments primarily through our internally generated funds and bank borrowings. Nonetheless, it should be noted that our Group generated an average annual net operating cash inflow of approximately RMB19.1 million for the two years ended 31 December 2015 and recorded net cash used in operating activities of approximately RMB2.9 million for the year ended 31 December 2015 and operating cash inflow of approximately RMB30.5 million for the five months ended 31 May 2016. Based on the historical level of operating cash flow, we may not have sufficient internally generated funds to finance the aforesaid potential developments. In addition, given our Group's relatively low level of operating cash flow compared to the investment cost of the potential developments and a pro forma net tangible asset value of approximately RMB402.7 million as at 31 May 2016 (taking into account the estimated net proceeds of Placing based on the maximum Placing Price of HK\$0.88 per Placing Share), we cannot assure you that we will be able to secure adequate bank borrowing for the expected costs of the potential developments and/or under terms commercially acceptable to us. Even if we could obtain adequate bank borrowing to fund the development costs, the amount of which may be relatively large compared to our Group's asset size, which in turn may substantially increase our gearing position and hence may adversely impact our financial condition. If we are unable to obtain sufficient funding for such developments or that the actual costs rise beyond our budget, such development plans may need to be put on hold or adjusted (such as in terms of size, style or business model, etc.), which in turn may have an adverse impact on our business and results of operations. In addition, the financing of such developments through bank borrowings may increase our finance costs, which may adversely impact our results of operations.

Land may be considered as idle land under any of the following circumstances: (i) where the development and construction of the state-owned land has not commenced within one year after the time limit prescribed in the land use rights grant contract or allocation decision; or (ii) where the development and construction of the state-owned land have commenced but the development and construction have subsequently been continuously suspended for one year or more without any approval and either (a) the land area of which development and construction have commenced (“已動工開發建設面積”) is less than one-third of the total land area to be developed and constructed, or (b) the invested amount is less than 25% of the total amount of investment. Our PRC Legal Advisers made a verbal enquiry with Jiangmen City Land and Resources Bureau to clarify the circumstances under which land may be considered as idle land pursuant to the aforesaid law. The Jiangmen City Land and Resources Bureau advised that, in practice, it is often difficult to ascertain the total amount of investment of a land parcel. Therefore, when assessing whether a land is classified as idle land, it will normally only consider whether the development and construction work commenced is less than one-third of the total land area to be developed and constructed, regardless of the investment amount.

According to the Disposal Measures for Idle Land (《閒置土地處置辦法》), land and resources authorities at the municipal and county level are responsible for the investigation, identification, and disposal of idle land within their administrative areas. The upper level land and resource department supervises and administers the idle land identification and disposal work of its lower level land and resource department. Land and resources authorities at the municipal or county level shall commence investigation and confirmation if they suspect any land to be idle land. If the land is identified as idle land after investigation, the land and resources authorities at the municipal or county level shall make the relevant determination and disposal according to law. Therefore, our PRC Legal Advisers are of the view that Xinhui Branch of Jiangmen City Land and Resources Bureau (江門市國土資源局新會分局) is empowered to identify idle land and undertake corresponding disposal work under the supervision of its upper level land and resource department.

BUSINESS

On 9 November 2016, the Xinhui Branch of Jiangmen City Land and Resources Bureau (江門市國土資源局新會分局) issued an Investigation List (查詢清單) in writing, indicating that as at 9 November 2016, none of our land properties were considered to be idle land. As advised by our PRC Legal Advisers, based on the fact that the municipal or county level land and resource department is empowered to identify idle land and undertake corresponding disposal work under the supervision and administration of its upper level land and resource department, Xinhui Branch of Jiangmen City Land and Resources Bureau as county level authority is the competent authority to issue such investigation list, and it is not within the authority of the provincial level land and resource department to directly issue a confirmation letter unless such upper level authority, during its supervision and administration, considers the identification of Xinhui Branch of Jiangmen City Land and Resources Bureau to be incorrect.

Our investment properties as at 30 September 2016 (being land held for undetermined use and properties held for future development) fall under three larger land parcels (the “**said land parcels**”).

Set forth below the classification of our Group’s investment properties among the said land parcels:

Our Group’s investment properties in the Accountant’s Report as set out in Appendix I to this prospectus	Reference property no. in the property valuation report as set out in Appendix III to this prospectus	Corresponding site area in the said land parcels	Corresponding land use right certificates No. Xin Guo Yong
Land held for development of investment properties	14	50,033 sq.m. in land parcel 1 (as defined below)	(2011)Di 04244 Hao (2011)Di 04255 Hao (2012)Di 03444 Hao (2011)Di 04249 Hao
		25,065 sq.m. in land parcel 2 (as defined below)	(2011)Di 04245 Hao (2011)Di 04253 Hao
		8,690 sq.m. in land parcel 3 (as defined below)	(2012)Di 00690 Hao
Subtotal		83,788 sq.m.	
Land held for undetermined uses	15	186,817 sq.m. in land parcel 1 (as defined below)	(2011)Di 04242 Hao (2011)Di 04259 Hao (2011)Di 04241 Hao (2011)Di 04258 Hao (2011)Di 04260 Hao (2012)Di 00703 Hao (2012)Di 01596 Hao (2012)Di 00704 Hao (2012)Di 01593 Hao (2012)Di 01594 Hao (2012)Di 00971 Hao (2012)Di 01595 Hao (2015)Di 06316 Hao
		29,073 sq.m. in land parcel 2 (as defined below)	(2012)Di 00527 Hao
Subtotal		215,890 sq.m.	
Total		299,678 sq.m.	

BUSINESS

The following table sets out the respective acquisition date, the deadline for commencement of development and construction of the said land parcels stipulated in the land use rights grant contract (if any) and the status of the said land parcels:

Land parcel	Acquisition date	Deadline for commencement of development/ construction	Status
1	July 2002	No commencement date was stipulated in the land use rights grant contract, the deadline for commencement was therefore one year after July 2002 according to the Measures on Disposal of Idle Land enacted and enforced by the MLR on 28 April 1999	<p>Our Group had commenced construction before July 2003 and had not suspended construction work for one year or more before completing the development of one-third of the total land area. We developed our <i>Royal Spa Hotel</i> together with its ancillary facilities and greenery from mid-2002 till late 2003 and our <i>Gudou International Conference Centre</i> from late 2004 till late 2005, which in aggregate occupied a site area of more than one-third of the total land area of this land parcel. We also completed the development of our <i>Mountain Seaview Vacation Apartments</i> in 2014 and the development of our <i>Joyful Apartments</i> in 2016 on such parcel of land. All the abovementioned real estate development projects had obtained all the relevant certificates and permits in relation to the planning and construction of them and had passed the necessary completion inspection and acceptance. Our <i>Mountain Seaview Vacation Residence</i> are currently under development on certain portions of this land parcel. Pursuant to the land use rights grant contract dated 11 July 2002 and the relevant land use right certificate, Guangdong Gudou has the right to use this parcel of land for a term of 40 years till 12 July 2042</p>

Having considered the properties on this parcel of land is developed in accordance with our Group's overall development plan, the Sole Sponsor is of the view that there is no prolonged development in this parcel of land

BUSINESS

Land parcel	Acquisition date	Deadline for commencement of development/ construction	Status
2	June 2003	The land use rights grant contract stipulated that our Group shall commence construction by July 2003	Our Group had commenced construction before July 2003 and we have not suspended construction work for one year or more before completing the development of one-third of the total land area. We developed our fruit orchard from mid to late 2003, which itself occupied more than one-third of the total land area of this land parcel. The other areas of this land parcel are maintained by our Group as sight-seeing greenery field in accordance with our Group's overall planning. Our <i>Heart of Spring Apartment</i> is currently under development on certain portions of this land parcel. Having considered the fruit orchard was developed from mid to late 2003, our tourism property project under development and the other areas are maintained as greenery field in accordance with our Group's overall development plan, the Sole Sponsor is of the view that there is no prolonged development in this parcel of land. Pursuant to the land use rights grant contract dated 19 June 2003 and the relevant land use right certificate, Guangdong Gudou has the right to use this parcel of land for a term of 40 years till 19 June 2043 for scenery and leisure usages
3	January 2012	No deadline was stipulated in the land use rights grant contract	More than one-third of the land parcel was developed as a parking lot when we acquired this parcel of land from Gudou Hydropower Plant. (<i>Note</i>) Pursuant to a land use rights grant contract dated 6 January 2012 and the relevant land use right certificate, Guangdong Gudou has the right to use this parcel of land for a term of 40 years till 6 January 2052 for other commercial usages

Note: Given that (i) under the relevant PRC laws and regulations, the land area of which development construction have commenced (已動工開發建設面積) refers to the area of the land parcel which has been actually invested in, developed and constructed in accordance with the terms and the planning and design conditions stipulated in the land use rights grant contract, (ii) the land use rights grant contract of the land parcel which we acquired from Gudou Hydropower Plant with an area of 8,690 sq.m. does not stipulate the specific planning and design conditions but stipulates that the subject land parcel's usage is for other commercial and service usage, (iii) according to the Classification of the Land Use Status (《土地利用現狀分類》), land for other commercial and service usage refers to land which is used for commercial and service usage other than wholesale and retail, accommodation and catering, and business and finance. Our PRC Legal Advisers are of the view that the parking lot constituted other commercial and services usage and was eligible to be counted as land area for which development construction had commenced (已動工開發建設面積) under the Disposal Measures for Idle Land, and accordingly, construction of a parking lot on the subject land parcel falls within the meaning of development work on such land.

BUSINESS

Our PRC Legal Advisers are of the view that none of the said land parcels fall within the idle land identification conditions as illustrated in the table above and thus there is no reason for our PRC Legal Advisers to believe that the land and resources department at the superior level, that is the supervising and administrative authority, will consider the said land parcels (which our investment properties form part) as idle land.

The manager of our property development team is responsible for monitoring the progress of development and construction of land. Starting from June 2014, on a quarterly basis during the construction period, the manager is responsible for reporting the progress of each project and whether it is considered to be idle land according to the Disposal Measures for Idle Land (《閒置土地處置辦法》) to the vice president of the property development team to prevent our investment properties being regarded as idle land going forward. A property project development manual has been established and implemented. Mr. Liang Juquan, the vice president of Guangdong Gudou is responsible for monitoring and ensuring our future compliance with the relevant laws and regulations applicable to our tourism property development projects. It is our future strategy to expand our investment property portfolio to strengthen and support our hot spring resort and hotel operations and tourism property development.

CUSTOMERS

Our customers primarily comprise (i) hot spring resort and hotel customers, including travel agencies, corporate customers, customers through Internet booking, walk-in customers and tenants leasing ancillary commercial properties held by us, and (ii) purchasers of our tourism properties. Given the nature of our businesses, no single customer was material to our business during the Track Record Period. During the Track Record Period, revenue generated from our five largest customers accounted for approximately 18.8%, 19.1% and 25.6% of our total revenue, respectively.

For the year ended 31 December 2014, our largest customer, Fu An Trading (Jiangmen) Co., Ltd.* (富安商貿(江門)有限公司) (“**Fu An Trading**”), a purchaser of our tourism properties, is an associate of two of our Pre-IPO Investors, namely, Fu An and Grand Luck. The revenue generated from Fu An Trading accounted for approximately 10.0% of our total revenue for the year ended 31 December 2014. Our second to fifth largest customers were travel agencies who are engaged in travel and tourism related business and who have about two to ten years of business relationship with our Group.

For the year ended 31 December 2015, our first and fifth largest customers were purchasers of our tourism properties. The revenue generated from our largest customer accounted for approximately 10.6% of our total revenue for the year ended 31 December 2015. Our second, third and fourth largest customers were travel agencies who are engaged in travel and tourism related business and who have about five to six years of business relationship with our Group.

For the five months ended 31 May 2016, all of our top five customers were travel agencies who are engaged in travel and tourism related business and who have about one to ten years of business relationship with our Group. Our largest customer for the five months ended 31 May 2016 accounted for approximately 10.1% of our total revenue for the five months ended 31 May 2016.

Our Company has not provided any bank guarantee to our customers during the Track Record Period.

BUSINESS

Our Directors confirm that, as of the Latest Practicable Date, save for Fu An Trading, all of our five largest customers of each of the periods during the Track Record Period were Independent Third Parties and none of our Directors or their close associates or our existing Shareholders who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of those five largest customers.

SALES AND MARKETING

Room and admission ticket sales

Our sales team for our hot spring resort and hotel operations, which comprises 30 personnel, is principally responsible for handling sales transactions, planning and executing marketing and promotional campaigns, and liaising with different sales channels. In order to drive attendance and likelihood of revisits, and attract potential visitors, we have built a diversified portfolio of sales channels for our hot spring resort and hotel operations.

Sales through travel agencies

We have established cooperation relationships with local travel agencies and other travel intermediaries to bring in visitors into our *Gudou Hot Spring Resort*. We enter into fixed term cooperation agreements, typically for a term of six months or one year, with travel agencies, pursuant to which room rates for particular room types of our themed hotel complexes and admission ticket fees are fixed during the term. Set out below are the salient terms of a typical cooperation agreement entered into with the travel agencies during the Track Record Period:

- Non-committal basis: the cooperation agreements are on non-committal basis and therefore no guarantee of minimum number of guest-stay is required from the contracted travel agents notwithstanding that there is a targeted sales quota
- Package: the room rates and admission ticket fees would be offered in a package with certain discount
- Sales incentives: we offer sales incentives or commission of RMB10 to RMB30 per room to travel agencies who meet the targeted sales quota stipulated in the agreement

Online sales

Given the significant increase in visitors making online purchases in recent years, we started to cooperate with third party online ticketing sales operators in selling admission tickets and letting our rooms through online channels. We generally offer sales incentives or commission to online ticketing sales operators. During the Track Record Period, we cooperated with more than 20 third-party online ticketing sales operators to sell admission tickets.

BUSINESS

Tourism property sales

Our property development team, which comprises 13 personnel, is primarily responsible for (i) the implementation and execution of sales strategies and promotional campaigns in relation to every particular project; (ii) the execution of the sales plan, handling sales transactions with purchasers, coordinating and assisting in the completion of sales procedure; and (iii) provision of general property management service to the occupants/purchasers of the properties. We may also recruit local sales agents with in-depth knowledge of the local market to advise, implement and support our advertising campaigns and sales activities for selective project. Pursuant to our standard agreement with the sales agent, the sales agent agrees to sell our tourism properties according to the price set by us and is entitled to a commission at a rate of 2% to 5% of the total sales proceeds (depending on the type of properties). For each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016, the total amount of commission paid to our sales agents was approximately RMB1.7 million, RMB2.1 million and RMB1.1 million, respectively.

Commercial leasing

In conducting our leasing business, we seek to maintain long-term relationships with our tenants and to maintain a more balanced tenant composition. Our property management team is responsible for formulating strategies for our rental properties, such as conducting research to enhance the tenant profile and trade mix. In particular, we seek tenants who may help us to promote the “health regimen” value of our resort. Currently, our tenants are primarily engaging in businesses focusing on providing ancillary facilities to our hot spring resort and hotel operations such as food stores and souvenir shops. The term of our leases typically range from one year to two years.

Marketing and advertising

We consider sales and marketing to be a significant component in our business operations. During the Track Record Period, our marketing efforts included advertising through media, printed materials and outdoor signage, to market our *Gudou Hot Spring Resort*. Some of these marketing activities were collaborated with travel agencies. In order to enhance our attractiveness, we had also launched various marketing events in our *Gudou Hot Spring Resort* and had participated in different exhibitions in the PRC and Macau Special Administrative Region of the PRC.

In addition to traditional marketing channels, we have been placing emphasis on promotion through online platforms. We promote our brand and conduct marketing activities for *Gudou Hot Spring Resort* through our website at **gudouhotspring.com**. Also, we send updates on promotional campaigns of our resort to customers through mobile applications from time to time. We consider that these popular social media platforms offer an interactive way for visitors to share their travel experiences at our resort and thereby increase visitors’ interests in us. During the Track Record Period, we incurred marketing and advertising expenses of approximately RMB6.8 million, RMB9.7 million and RMB3.7 million, respectively.

BUSINESS

Pricing

Hotels and resort

(i) Room rates

We set our room rates based on our pricing policy. In formulating our pricing policy, we carry out market research and studies on comparable hotels and resorts, and we also take into account factors including local economic development, seasonal factors, the estimated tourism trend and tourists' preference. To ensure our competitiveness, we review and adjust our standard room rates from time to time.

(ii) Admission ticket pricing

We determine the price of our admission tickets based on various factors including the local economic development, the prices charged by our local competitors for similarly positioned hot spring and recreational facilities, the spending power, preference and demands of our target visitors, seasonal factors and the estimated tourism trend. We also take into account the market demand for our *Gudou Hot Spring Resort* and the other external factors such as the overall development plan of Xinhui District, the nearby infrastructure, the addition of tourist attractions in the surrounding areas in adjusting our admission ticket prices. As part of our promotional campaign for our hot spring facilities and *Natural Spring Waterpark*, we offer different classes of pre-paid admission cards to our visitors offering different ranges of discounts.

Apart from our standard prices, we also offer discounted room rates and ticket prices to travel agencies and third-party websites, depending on our assessment of factors such as profitability of the cooperation, the consumption ability and potential of visitors. In general, we will review and, if appropriate, adjust the discounted room and the discounted admission ticket prices sold through different sales channels from time to time.

Tourism property development

We carry out market research and studies in order to determine the positioning of our tourism property development projects. For each particular tourism property development project, we set the pricing policy based on various factors including the conditions of the local tourism properties market, the pricing of our competitors offering comparable properties, demands of our tourism properties, our investment costs and our targeted return of capital. Based on the pricing policy, before the commencement of pre-sale, we prepare a detailed pricing schedule which sets out the sale price of each units and the discounts that may be offered under particular circumstances. Our property sales and strategy team follows strictly with such detailed pricing schedule in carrying out sales transactions.

F&B facilities

We operate four F&B outlets in our *Gudou Hot Spring Resort*. In determining our F&B prices, we take into account the costs of raw materials and food ingredients, seasonal factors, competition, spending patterns and purchasing power of our customers and other restaurant expenses and costs such as labour costs and utility expenses.

BUSINESS

Commercial and food stores

The rental rates of the commercial and food stores are determined by our property management team with reference to market research conducted by us on the supply and demand of similar properties in the vicinity, GFA of the leased properties, prevailing rental rates and terms and conditions. Pursuant to the lease agreements entered into with the tenants, we usually require the tenants to pay rent semi-annually in advance.

Payment terms

We adopt different payment policies for different categories of our hot spring resort and hotel customers as set out below:

(i) Hot spring resort and hotel customers

- Customers through travel agencies
- Prepayment of about 30% to 50% in advance within three days from the confirmation of order
- Payment of remaining balance in full upon guest's departure unless prior credit facilities have been arranged
- Corporate customers and customers through third-party online websites
- Payment in full upon guests' departure unless prior credit facilities have been arranged
- Walk-in customers
- Payment in full upon guests' departure

(ii) Tenants of commercial stores

As to the tenants of commercial and food stores in our resort area, we usually require payment of rent in accordance with the terms of the relevant tenancy agreement which is typically on a semi-annual basis in advance.

(iii) Purchasers of tourism properties

Please refer to the paragraph headed "Project development and management procedures — Payment arrangement" in this section for further details.

PROCUREMENT AND SUPPLIERS

Raw materials and construction cost

For our hot spring resort and hotel operations, we procure a variety of raw materials and merchandise to support our routine catering services and hot spring resort and hotel operations. Food ingredients are our major raw materials. For our tourism property development, all construction materials (such as steel, cement and decoration materials) are procured by our contractors.

BUSINESS

The total purchase cost of raw materials during the Track Record Period amounted to approximately RMB50.9 million, RMB51.0 million and RMB8.2 million, respectively, accounting for approximately 48.8%, 47.3% and 20.9% of our cost of sales, respectively. The table below sets out the details of our purchase cost of raw materials for the periods indicated:

	For the year ended 31 December				For the five months ended 31 May			
	2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Contractor fees (inclusive of all construction materials)	39,917	78.5	41,016	80.4	9,607	71.5	3,791	46.1
F&B raw materials	8,678	17.1	8,129	15.9	3,406	25.3	4,259	51.8
Furniture and appliances	654	1.3	70	0.1	—	—	—	—
Other materials	1,607	3.1	1,818	3.6	432	3.2	168	2.1
Total	50,856	100.0	51,033	100.0	13,445	100.0	8,218	100.0

To the best knowledge of our Directors, we are not aware of any illegality of the sources of raw materials used by us during the Track Record Period and up to the Latest Practicable Date.

Shortage or delay in supply of raw materials

During the Track Record Period, we did not experience any significant shortage or delay in the supply of raw materials.

Fluctuations in cost of raw materials

Food ingredients are the principal raw materials for our hot spring resort and hotel operations. For each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016, the total cost of F&B raw materials amounted to approximately RMB8.7 million, RMB8.1 million and RMB4.3 million respectively, accounting for approximately 8.3%, 7.5% and 10.8% respectively of our total cost of sales. To ensure the quality of our F&B services and the freshness of the food ingredients, we usually purchase our food ingredients on an “as-needed” basis. Our Directors believe that our suppliers of food ingredients would take into account the quality, demand, supply, specifications, duration of supply agreement, logistic arrangement, seasonal factor, source of supply and relationship with us when fixing the prices of their food ingredients. Our Directors are of the view that the prices of the food ingredients we obtained during the Track Record Period were consistent with prevailing market prices, and believe that the purchase prices of food ingredients will continue to follow market prices under normal operating and marketing conditions.

We do not enter into any long-term contract with our existing suppliers for food ingredients. We believe that this is consistent with industry practice as food ingredient suppliers generally do not enter into long-term supply contracts for a number of reasons. Due to fluctuations in the pricing of food, it is difficult for the parties to fix an agreed price. Further, as most food ingredients can be readily sourced from different suppliers, it would reduce flexibility in operations and pricing if we are contractually bound to make purchases from a specific food ingredient supplier for a specific term. Although prices of food ingredients may fluctuate, we do not consider the price fluctuation in food ingredients will have material adverse impact on us.

BUSINESS

Our key construction materials are procured by our contractors and the costs of which form part of the contractor fees. As such, the risk of price fluctuation in these materials will generally be borne by our contractors. However, there is a chance that substantial increases in construction materials may prompt our contractors to increase their fee quotes for our new tourism property development projects. Steel, timber and cement make up the major part of the cost of construction materials. Please refer to the sub-section headed “Industry overview — Prices of key construction materials” for historical price trends of our key construction materials.

Suppliers

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

For each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016, purchases from our largest supplier amounted to approximately RMB67.6 million, RMB12.6 million and RMB24.3 million respectively, accounting for approximately 65.5%, 32.0% and 69.5% respectively of our total purchases for the same periods, respectively. In the same periods, purchases from our five largest suppliers amounted to approximately RMB76.6 million, RMB21.4 million and RMB26.6 million respectively, accounting for approximately 74.2%, 54.3% and 76.0% respectively of our total purchases for the same periods, respectively. The following table sets out the information about the five largest suppliers for the periods indicated:

For the year ended 31 December 2014

Suppliers	Geographical location of the suppliers	Principal business activities	Types of services/products provided	Usual payment methods	Year of commencement of business relationship with our Group
Supplier A	PRC	Civil engineering contractor, interior decoration, municipal engineering, trenchless directional drilling, pipe laying, installation of air-conditioners, steel doors and windows	<i>Mountain Seaview Vacation Apartments</i> construction and engineering works	Bank transfer	2013
Supplier B	PRC	Fire safety engineering, installation and maintenance	<i>Mountain Seaview Vacation Apartments</i> fire safety engineering works	Bank transfer	2014
Supplier C	PRC	Retail, installation, repair and maintenance of elevators	<i>Mountain Seaview Vacation Apartments</i> elevator engineering works	Bank transfer	2014

BUSINESS

Suppliers	Geographical location of the suppliers	Principal business activities	Types of services/products provided	Usual payment methods	Year of commencement of business relationship with our Group
Supplier D	PRC	Production of knitted and crocheted materials (towel weaving, bathrobe processing), retail	Curtain/bed sheets	Bank transfer	2012
Supplier E	PRC	Retail of cold and frozen foods (excluding meat products)	Retail of cold and frozen foods	Bank transfer	2013

For the year ended 31 December 2015

Suppliers	Geographical location of the suppliers	Principal business activities	Types of services/products provided	Usual payment methods	Year of commencement of business relationship with our Group
Supplier A	PRC	Civil engineering contractor, interior decoration, municipal engineering, trenchless directional drilling, pipe laying, installation of air-conditioners, steel doors and windows	<i>Joyful Apartments</i> construction and engineering works	Bank transfer	2013
Supplier F	PRC	Civil engineering contractor, paving of indoor slabs, wooden cabinet making, plastering, installation of household water and electronic products	<i>Mountain Seaview Vacation Residence</i> slope engineering review	Bank transfer	2015
Supplier E	PRC	Retail of cold and frozen foods (excluding meat products)	Retail of cold foods and meat	Bank transfer	2013
Supplier G	PRC	Retail and wholesale of cold and frozen meat; wholesale of packaged food	Retail of packaged food, chicken and duck and goose	Bank transfer	2013
Supplier H	PRC	Retail and wholesale of dairy products (excluding infant formula), legitimate additive	Retail of groceries	Bank transfer	2012

BUSINESS

For the five months ended 31 May 2016

Suppliers	Geographical location of the suppliers	Principal business activities	Types of services/products provided	Usual payment methods	Year of commencement of business relationship with our Group
Supplier I	PRC	Civil engineering contractor, foundation works, interior and exterior decoration, municipal engineering, road works, drainage works, landscaping works, mechanical and electrical works, civil works, real estate development, installation and maintenance of electrical lines and wholesale and retail of construction materials	<i>Mountain Seaview Vacation Residence</i> construction and engineering works	Bank transfer	2015
Supplier E	PRC	Retail of cold and frozen foods (excluding meat products)	Retail of cold and frozen food	Bank transfer	2013
Supplier G	PRC	Retail and wholesale of cold and frozen meat; wholesale of packaged food	Retail of packaged food, chicken and duck and goose	Bank transfer	2013
Supplier J	PRC	Retail and wholesale of vegetables	Retail of vegetables	Bank transfer	2012
Supplier K	PRC	Retail and wholesale of vegetables	Retail of vegetables	Bank transfer	2015

We maintain a broad range of suppliers who meet our quality requirements and periodically review and update this list based on our experiences doing business with them. We have established stable relationships with our major suppliers who have provided us with quality services and materials on favorable commercial terms.

Our Directors confirm that, to the best of their knowledge, none of them, their close associates or our existing Shareholders who owned more than 5% of our issued share capital as at the Latest Practicable Date, has any interest in any of our five largest suppliers for each of the years during the Track Record Period.

CREDIT POLICY

For customers of our hot spring resort and hotel operations, we generally do not offer our customers with credit terms or payment on account. We may offer credit terms or payment on account to customers whom we consider creditworthy having taken into account their business track record and expected turnover, as well as their past repayment record. For customers whom we consider creditworthy, the maximum amount of payment on account that we may allow will be not more than twice of the guarantee amount paid by such customer (such as travel agencies), or not more than RMB50,000 if no guarantee amount has been paid by such customer (such as corporate customer) subject to the entry of an agreement on payment on account with us. Our finance team will monitor the repayment record of our customers monthly, and based on such record will evaluate and consider the credit terms and/or maximum amount of payment on account to be granted to these customer. Unless prior credit facilities have been arranged, all our room guests shall make full payment of the room rates upon departure, and our tenants of our ancillary commercial properties are required to pay the rentals to us according to the payment terms of the relevant tenancy agreement.

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For purchasers of our tourism properties, the purchasers are generally required to pay the purchase price within six months from the date of signing of the sale and purchase agreements. If purchasers choose to fund the purchase price payment by mortgage loans provided by banks, they are typically required to pay a down payment of not less than 50% of the total purchase price of the property, and the mortgagee banks will pay the remaining balance after the purchasers have completed the mortgage application procedures and the mortgagee banks approved the mortgages, failing which the purchasers shall pay the balance within 15 days after receiving the decline notice from the mortgagee banks or the payment notice from our Group, whichever is the earlier. The sale and purchase agreements stipulate the deadline that the purchasers are required to submit the required documents to complete the mortgage application.

PRODUCT RETURNS AND WARRANTY

We carry out inspection and quality checks on our tourism properties before launching the pre-sale or sale of the tourism property development projects. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any product return of our tourism properties.

We provide our customers with a warranty for the quality of the structure of the building pursuant to the Measures on the Sales of Commodity Housing (《商品房銷售管理辦法》) and Regulations for the Operations of Urban Property Development (《城市房地產開發經營管理條例》). We provide different warranty and maintenance periods to our tourism property purchasers according to either Implementation Regulation of Residence Quality Guarantee and Residence Manual System on Commercial Housing (《商品住宅實行住宅質量保證書和住宅使用說明書制度的規定》) or Measures on the Warranty and Maintenance of Building Construction Projects (《房屋建築工程質量保修辦法》) depending on our different property development projects.

REPAIR AND MAINTENANCE

To maintain and enhance the quality of our overall positioning and image, we carry out regular repair and maintenance of our hotel and resort facilities and the public areas of our *Gudou Hot Spring Resort*. To ensure the safety of our visitors, tenants, property occupiers and employees, we also carry out periodic inspection, repair and maintenance and, if appropriate, upgrades of our recreational facilities.

LICENCES AND PERMITS

Save as disclosed in the paragraph headed “Non-compliance” in this section, our PRC Legal Advisers have advised us that, during the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licences, approvals and permits from the relevant governmental authorities to conduct our business and operations in the manner described in this prospectus and such licences, approvals and permits remained valid and effective as at the Latest Practicable Date. Our PRC Legal Advisers have also advised us that there would be no material legal impediment to renew such licences, approvals and permits.

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The following table sets forth details of some of our valid licences, approvals and permits as at the Latest Practicable Date which are material to our business:

Licence/approval/permit	Issuing authority	Issue date	Expiry date
Qualification certificate for real estate development enterprise of the PRC (Yue (Jiang) Fang Kai Zheng Zi No. 1211055) (中華人民共和國房地產開發企業資質證書(粵(江)房開証字第1211055號))	Jiangmen City Housing and Urban-Rural Development Bureau* (江門市住房和城鄉建設局)	11 October 2014	11 October 2017
Special industry licence (Scope: Receive domestic and overseas (including Hong Kong, Macau and Taiwan) tourists) (Xin Gong Te Zheng Zi No. 073) (特種行業許可証(經營範圍: 接待國內、國外旅客、港澳台同胞(新公特証字第073號))	Jiangmen City Public Security Bureau, Xinhui Branch* (江門市公安局新會分局)	16 May 2016	21 May 2018
Special industry licence (Scope: Receive domestic and overseas (including Hong Kong, Macau and Taiwan) tourists) (Xin Gong Te Zheng Zi No. 365) (特種行業許可証(經營範圍: 接待國內、國外旅客、港澳台同胞(新公特証字第365號))	Jiangmen City Public Security Bureau, Xinhui Branch* (江門市公安局新會分局)	17 May 2016	17 May 2018
Water extraction permit (extraction from Gudou Hot Spring Resort) (Qu Shui (Yue Jiang Hui) Zi [2016] No. 00013) (取水許可証(取水地點為度假邨內)(取水(粵江會)字[2016]第00013號))	Xinhui District Water Bureau of Jiangmen City* (江門市新會區水務局)	19 July 2016	4 August 2021
Mining licence (permitted mineral type: geothermal) (C4400002009051110022934) (採礦許可証(許可開採礦種: 地熱)(C4400002009051110022934))	Jiangmen City Land Resources Bureau* (江門市國土資源局)	8 May 2012	8 May 2022
Public area hygiene licence (Yue Wei Gong Zheng Zi [2014] No. 0782A00069) (衛生許可証(粵衛公証字[2014]第0782A00069號))	Health and Family Planning Bureau of Xinhui District, Jiangmen* (江門市新會區衛生和計劃生育局)	8 April 2014	12 June 2017
Public area hygiene licence (Yue Wei Gong Zheng Zi [2006] No. 0782D00008) (衛生許可証(粵衛公証字[2006]第0782D00008號))	Health and Family Planning Bureau of Xinhui District, Jiangmen* (江門市新會區衛生和計劃生育局)	12 March 2015	12 June 2017
Public area hygiene licence (Yue Wei Gong Zheng Zi [2016] No. 0782A00106) (衛生許可証(粵衛公証字[2016]第0782A00106號))	Health and Family Planning Bureau of Xinhui District, Jiangmen* (江門市新會區衛生和計劃生育局)	17 May 2016	16 May 2020
Food and beverage service licence (Yue Can Zheng Zi 2011440705000682) (餐飲服務許可証(粵餐証字2011440705000682))	Food and Drug Administration Bureau of Xinhui District, Jiangmen* (江門市新會區食品藥品監督管理局)	28 May 2014	27 May 2017

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Licence/approval/permit	Issuing authority	Issue date	Expiry date
Food and beverage service licence (Yue Can Zheng Zi 2011440705000683) (餐飲服務許可証(粵餐証字 2011440705000683))	Food and Drug Administration Bureau of Xinhui District, Jiangmen* (江門市新會區食品藥品監 督管理局)	9 May 2014	8 May 2017
Food and beverage service licence (Yue Can Zheng Zi 2014440705002988) (餐飲服務許可証(粵餐証字 2014440705002988))	Food and Drug Administration Bureau of Xinhui District, Jiangmen* (江門市新會區食品藥品監 督管理局)	3 January 2014	2 January 2017
Food and beverage service licence (Yue Can Zheng Zi 2014440705002989) (餐飲服務許可証(粵餐証字 2014440705002989))	Food and Drug Administration Bureau of Xinhui District, Jiangmen* (江門市新會區食品藥品監 督管理局)	3 January 2014	2 January 2017
Food and beverage service licence (Yue Can Zheng Zi 2014440705002990) (餐飲服務許可証(粵餐証字 2014440705002990))	Food and Drug Administration Bureau of Xinhui District, Jiangmen* (江門市新會區食品藥品監 督管理局)	3 January 2014	2 January 2017
Food operation licence (JY24407050003759) (食品經營許可証(JY24407050003759))	Food and Drug Administration Bureau of Xinhui District, Jiangmen* (江門市新會區食品藥品監 督管理局)	2 February 2016	1 February 2021
Water extraction permit (extraction from Gudou Weiken Xinzhou geothermal field) (Qu Shui (Yue Jiang Hui) Zi [2014] No. 00057)(取水許可証(取水點為古兜圍壘新洲 地熱田)(取水(粵江會)字[2014] 第00057號))	Xinhui District Water Bureau of Jiangmen City* (江門市 新會區水務局)	1 August 2014	31 July 2019
Guangdong Province high-risk sports business activities licence (Jiang) Ti Wei Xu Zheng Zi [2013] No. 008) (廣東省高危險性體育項目經營活動許可証 (江)體危許証字[2013]第008號))	Sports Bureau of Xinhui District, Jiangmen* (江門市 新會區體育局)	17 July 2013	17 July 2018
Entertainment operation permit (440705160022) (娛樂經營許可証(440705160022))	Press and Publication Bureau of Xinhui District, Jiangmen* (江門市新會區 文化廣電新聞出版局)	2 September 2016	30 August 2018

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SEASONALITY

The hot spring and hotel industry is seasonal in nature. Our overall hot spring resort and hotel operations are significantly impacted by seasonality. Based on our historical results, our resort and themed hotel complexes generally benefit from the strong demand for hot spring facilities in the first and fourth quarters of the calendar year, while the demand for hotel rooms increase during the National Day and Lunar New Year holidays. In order to reduce the off-season impact of our hot spring resort operations and to capitalise the natural resources available to us, we operate the *Natural Spring Waterpark* in our *Gudou Hot Spring Resort*. Please refer to the section headed “Financial information — Key factors affecting our Group’s results of operations — Seasonality” of this prospectus for details of our quarterly performance.

INTELLECTUAL PROPERTY RIGHTS

Our intellectual property portfolio consists of trademark and domain name registrations. As of the Latest Practicable Date, we had four trademarks registered in the PRC, one trademark registered in Hong Kong, and two domain names which are material to our business, namely **gudouhotspring.com** and **gudouholdings.com** for which we were the registered proprietor. As at the Latest Practicable Date, we are the registered proprietor of the trademark registration of our principal brand name “*Gudou*” in the PRC and in Hong Kong. Please refer to the sub-section headed “B. Information about the Business — 2. Intellectual property rights of our Group” in Appendix V to this prospectus for further details of our intellectual property rights.

While we rely to a certain extent on our brand name when marketing our tourism properties, our business is otherwise not materially dependent on any intellectual property right. As of the Latest Practicable Date, we were not aware of any material infringement by us of any intellectual property rights owned by third parties.

EMPLOYEES

As at 31 December 2014, 31 December 2015, 31 May 2016 and the Latest Practicable Date, we had approximately 620, 650, 678 and 658 employees, respectively. The remuneration package of our employees included salary, allowances and bonuses.

The table below sets forth the number of our full-time employees by function at the Latest Practicable Date:

Functions	Number of employees as at Latest Practicable Date
Administration and human resources	26
Marketing and sales	26
Finance	48
Property development and management	28
Hotel rooms and facilities	285
Food and beverage	106
Business support and maintenance	96
Logistics	43
Total:	658

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We hire part-time employees from time to time to cope with additional staffing requirements for our hot spring resort and hotel operations during peak seasons.

We intend to use our best effort to recruit and retain appropriate and suitable personnel to serve our Group. We will assess our human resources periodically and will determine whether additional manpower is required to cope with our business development.

We recruit personnel from the open market. We formulate our recruitment policy based on market conditions, our business demands and expansion plans. We offer different remuneration package to our staff based on their position. In general, we pay basic salary and incentive, based on years of service, to all our employees. Our sales personnel and service personnel will also receive additional pay based on their individual skills and performance.

Our Directors believe that we maintain good working relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material dispute with our employees or disruption to our operations due to labour dispute and we had not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. During the Track Record Period and up to the Latest Practicable Date, there was no labour union established by our Group's employees.

To uphold our “*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. We also provide hospitality training to our hotel staff on a monthly basis. We provide our employees with work safety training to enhance their safety awareness.

We have complied with the applicable labour laws and regulations in the PRC and Hong Kong, save for the matters as disclosed in paragraph headed “Non-compliance” below. We make contributions to the social security scheme and the housing provident fund for our employees in the PRC. As advised by our PRC Legal Advisers, we received confirmation from the relevant authorities confirming that we have not been punished for any violation of the applicable labour laws in the PRC in all material respects during the Track Record Period.

For each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016, our total staff costs were approximately RMB30.8 million, RMB43.3 million and RMB19.3 million respectively.

INSURANCE

There are no national mandatory provisions under the relevant PRC laws and regulations requiring property developers or hot spring resort operators to maintain insurance coverage with respect to their operations. The major types of insurance that we maintain include (i) property risk insurance; (ii) employer liability insurance for our employees; and (iii) public liability insurance in respect of accidents to visitors. As at the Latest Practicable Date, we had not experienced any significant loss or damage to our properties.

For our property development business, we typically require the construction contractors of our property development projects to maintain accident insurance for their construction workers.

We believe we maintain adequate insurance coverage for our operations and that the scope of the coverage is in line with industry norms. However, there are certain risks for which we are not insured, and we may not have sufficient insurance coverage for damages and liabilities

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that may arise in the course of our business operations. Please refer to the sub-section headed “Risk factors — Risk relating to our businesses in general — Our insurance coverage may not be adequate to cover all possible losses that we could suffer and our insurance costs may increase” of this prospectus for further details.

WORKPLACE SAFETY MATTERS

We are subject to laws and regulations in relation to workplace safety in the PRC. Our safety management team, which comprises 12 personnel, is responsible for overseeing the safety of our employees during the overall project development process. To maintain a safe working environment, we have established internal policies on safety management whereby different team is assigned different safety compliance responsibilities.

With respect to construction site safety, our construction contractors are responsible for the safety of their workers on the construction sites and are required to maintain accident insurance for their workers. We generally do not carry insurance against personal injuries that may occur on-site but require our construction contractors to purchase accident insurance to cover their workers’ medical and other related expenses. We also engage Independent Third Party construction supervision companies to monitor safety measures throughout the construction process and to submit report of the inspection results to us regularly.

To ensure the safety of our visitors, tenants, property occupiers and employees, we have installed surveillance cameras at the main entrances, reception halls and front desks of various sections of our *Gudou Hot Spring Resort*, as well as certain spots of the public area. We also have security guards guarding at various entrances and carrying out 24-hour patrol.

During the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable PRC workplace safety regulations in all material respects and did not encounter any incident or complaint which had a material adverse effect on our operations.

ENVIRONMENTAL MATTERS

We are 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. For further details, please refer to the section headed “Regulatory overview” of this prospectus.

We outsource our construction work to construction contractors, who are Independent Third Parties. Pursuant to the respective agreements entered into between the construction contractors and our Group, the construction contractors and any subcontractors, are required to comply with the environmental impact assessment requirement and the applicable environmental laws and regulations. For each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016, we paid approximately RMB38,000, RMB38,000 and RMB38,000, respectively, as the annual fee for compliance with the applicable environmental laws and regulations.

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Our PRC Legal Advisers confirmed that we have not been penalised for any material violation of applicable environmental laws and regulations during the Track Record Period. During the same period, we did not receive any material claims against us in respect of any non-compliance with any applicable environmental laws and regulations.

RISK MANAGEMENT AND INTERNAL CONTROL

Our policies and procedures

We have adopted, or expect to adopt before the Listing, a series of policies, procedures and plans that are designed to reasonably assure effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. These policies and procedures include the following:

- We have established a set of risk management policies and measures to scrutinise various aspects of our operations, and to identify, evaluate and manage the associated risks. To the extent applicable and possible, our risk management policies set out guidance on our risk-taking threshold under different circumstances. We have established a risk management team comprising senior members from different departments to oversee the strict implementation of our risk management policies and measures;
- Our quality control team, which comprises 12 personnel and is led by Mr. He Yingquan, the deputy general manager of our hot spring resort and hotel operations, 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, we engage construction companies to undertake supervision and control in order to ensure quality conditions of the projects. Our technical team and property development team will also carry out onsite visit on a regular basis;
- Our resort and hotel team oversees the implementation of our hotel management manual, which stipulates credit policy concerning our customers, reducing our credit risk. Under our credit policy, we generally do not offer our customers with credit terms or payment on accounts unless requested by the customers;
- To reduce investment risks, we have established risk assessment procedures in relation to our Group's proprietary investment and joint venture projects. These procedures include investigation, research, information verification, documents and records maintenance guidance, and authorisation limits at each levels of different teams. Our investment and development team is responsible for overseeing and monitoring our risk assessment procedures;
- Our human resource team is responsible for monitoring compliance with our internal rules and manuals by our employees to ensure our compliance with applicable labour laws and requirements, reducing our legal risks in labour and employment;
- Our safety management team oversees the operation of our safety management system to ensure employee safety during the overall project development process;
- We believe we maintain adequate insurance coverage for our operations and that the scope of the coverage is in line with industry norms;

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- We have established an internal reporting system under which our employees are encouraged to report potential illegal, inappropriate or suspicious issue promptly upon them being aware of it to the management with a view to preventing non-compliance incidents;
- We have established an audit committee, which comprises three independent non-executive Directors, to assist the Board in supervising the implementation of financial report procedures and risk management policies;
- We have established information disclosure management policies to ensure compliance with applicable rules and regulations and to safeguard disclosure of adequate information to external parties;
- We have established property development manuals (which detail, among other things, requirements relating to property development procedures, project management and property sales) for our property development projects, ensuring adequate internal controls in respect of our property development projects;
- We have adopted capital management policies since October 2014 under which we regulate and monitor closely, among other things, our cash and bank account management, and loan procedures;
- We have adopted hotel management manual which stipulates, among other things, our pricing and discount policies, room reservation procedures and management, customer registration and clientele management, deposit handling and management, accounts receivables management, arrangement with owners of our property development projects for the purpose of leasing their properties, prepaid VIP service management, and complaints handling;
- We maintain a checklist to record the details of all our subsidiaries, such as incorporation date, date of last annual general meeting and date of audited accounts. The checklist is reviewed and updated from time to time by our chief financial officer and company secretary, who keeps monitoring the date of the next annual general meeting. At least two months before the deadline for holding the next annual general meeting, the chief financial officer and company secretary shall contact the relevant auditors so as to ensure there is sufficient time to prepare the audited accounts to be laid before the annual general meeting in accordance with sections 429 and 610 of the Companies Ordinance.
- We have established leasing policies for our leasing business to ensure that our leasing arrangement and procedures are closely monitored;
- We have established a comprehensive compliance manual in connection with complying with the GEM Listing Rules and other relevant regulatory requirements upon Listing;
- We provide training to all relevant staff, including the Directors with respect to compliance and its significance to our operations, as well as our risk management and internal control policies, on a semi-annual basis;
- Ms. Chan Sin Ling, our chief financial officer and company secretary oversees our corporate matters in order to ensure our compliance with relevant laws and regulations on corporate matters;

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

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

- We have appointed Celestial Capital as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules.
- To further assist our company secretary and compliance officer, to ensure our on-going compliance with applicable laws and regulations, we will retain Hong Kong legal advisers and PRC legal advisers to advise us and provide our Directors and senior management legal training on a semi-annual basis on the legal and regulatory requirements applicable to us in Hong Kong and to our operations and other compliance related matters arising from our business operations in the PRC. In July 2015, our Directors attended a training session on PRC laws and regulations applicable to our Group and the laws and regulations relevant to the past non-compliance incidents of our Group during the Track Record Period conducted by our PRC Legal Advisers and our legal advisers as to Hong Kong law; and
- On 20 April 2015, we also engaged an external independent internal control consultant, RSM Consulting (Hong Kong) Limited, to conduct annual review of the effectiveness of our internal control system for a term of three years after Listing with a view to consolidating and from time to time further strengthening our internal control policies and to ensure adequate internal controls for compliance with rules and regulations.

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Internal control review

We have engaged RSM Consulting (Hong Kong) Limited, an independent internal control consultant, to perform an internal control review, which commenced in December 2014, on our internal control system and provide recommendations for improving our internal control system. We have taken measures to rectify the deficiencies based on the findings of the review. We have adopted all recommendations made by the internal control consultant on our Group's procedures, systems and controls relating to fulfillment of our obligations under the GEM Listing Rules and other relevant legal and regulatory requirements. The internal control consultant had conducted a follow-up review since December 2014 to March 2015, in June 2015 and in April 2016, respectively, to review the status of the remedial actions taken by the management, including the internal control enhancement measures adopted by our Group to prevent future non-compliance incidents as disclosed in the paragraph headed "Non-compliance — Enhanced internal control measures" in this section. Based on the follow-up review, the internal control consultant noted that we have implemented such procedures, systems and controls. In addition, our Directors confirm that there has been no recurrence of any of our Group's historical non-compliance incidents since the implementation of the enhanced internal control measures. Accordingly, the internal control consultant is of the view that the internal control measures in response to our Group's past non-compliance incidents during the Track Record Period are effective, sufficient and adequate and we have implemented the enhanced measures to the internal control consultant's satisfaction.

After considering (i) the above rectification and improvement actions taken by our Group; (ii) our business nature and operation scale; (iii) the view of the internal control consultant that we have adopted effective, sufficient and adequate enhancement measures to their satisfaction in response to our Group's past non-compliance incidents; and (iv) there had been no recurrence of any of our Group's past non-compliance incidents since the implementation of the enhanced internal control measures up to the Latest Practicable Date, our Directors and the Sole Sponsor are satisfied that our enhanced internal control system is adequate, sufficient and effective for our current operation to ensure compliance with applicable legal and regulatory requirements.

Hedging arrangements

There are limited hedging instruments available in the PRC to reduce exposure to exchange rate fluctuations between the RMB and other currencies. As at the Latest Practicable Date, we had not entered into any hedging transactions against foreign currency risks. While we may seek to enter into hedging transactions in the future, the availability and effectiveness of currency hedging transactions may be limited and we may not be able to hedge our exposure to foreign currency risks successfully.

NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we were in compliance in all material respects with the applicable laws and regulations in Hong Kong and the PRC, save for the non-compliance incidents disclosed below. The table below sets out summaries of our historical non-compliance with relevant applicable laws and regulations during the Track Record Period and up to the Latest Practicable Date.

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Non-compliance incident no. 1

Nature of non-compliance incident: Guangdong Gudou extracted seawater hot spring in the absence of a relevant and applicable mining licence, in breach of the relevant mining laws and regulations.

Cause of the non-compliance incident: According to the Notice, the mining right in respect of the hot spring resources located at Silver Lake Bay* (銀湖灣) in Xinhui District, Jiangmen City, Guangdong Province (i.e. the water source of our seawater hot spring) falls under the provincial mining rights quotation sale scheme. As advised by our PRC Legal Advisers, new applications for mining rights shall be granted by the competent land and resources bureau through the bidding, auction or quotation process, which has to be initiated by the competent land and resources bureau. We were unable to obtain the seawater mining licence before the issue of the Notice in June 2012 as the Jiangmen City Land and Resources Bureau did not initiate the bidding, auction or quotation process until November 2012. Our PRC Legal Advisers advised that we are not responsible for the bidding auction or quotation process not taking place yet.

Under 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)) (“**Approval No. 232**”) issued by the Office of the People's Government of Xinhui District, Jiangmen City on 12 May 2004, the Office of the People's Government of Xinhui District, Jiangmen City directed us to explore and subsequently obtain the seawater hot spring resources by payment of water charges. During the Track Record Period and up to the Latest Practicable Date, we had in accordance with the relevant requirements set forth in the Provisions on the Administration of Collection of the Mineral Resources Compensation* (《礦產資源補償費徵收管理規定》), fully paid the mineral resources compensation for using the seawater hot spring resources from time to time as per invoices issued by the Xinhui Branch of Jiangmen City Land and Resources Bureau* (江門市國土資源局新會分局).

For the purpose of our listing application, we engaged our PRC Legal Advisers who advised us that our failure to obtain the mining licence for the seawater hot spring resources constituted a non-compliance and advised us to take rectification actions.

Legal consequences and potential maximum penalty:

Our PRC Legal Advisers advised that, according to the relevant PRC laws and regulations, we may be required to cease extracting seawater hot spring water and to compensate for the losses resulting from our unlicensed extraction and the mineral resources may be subject to confiscation; and

- (i) if the illegal income arising from the mineral resources attributable to unlicensed extraction (which could be interpreted to be all of our operating revenue generated from the seawater hot spring when we extracted seawater hot spring water without licence) can be ascertained, such amount may be forfeited and we may be fined an amount up to 50% of our illegal income; or

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- (ii) if such illegal income cannot be ascertained, we may be fined an amount of not more than RMB100,000.

Having considered that, we obtained the sea area use right certificate, the water extraction permit and Approval 232 and 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, we considered the legal consequence of non-compliance to be not material. The Approval No. 232 was subsequently endorsed by a confirmation letter dated 13 February 2014 issued by the Xinhui Branch of Jiangmen City Land and Resources Bureau. On such basis, we believed that we had taken sufficient actions for extracting seawater hot spring water in a compliant manner as required by the Mineral Resources Law of the PRC.

**Potential
operational
and financial
impact on our
Group (where
applicable):**

As at the Latest Practicable Date, we had not received any notification from the relevant authority alleging that Guangdong Gudou had been in breach of any applicable law and demanding rectification actions or penalty.

We received a confirmation letter dated 13 February 2014 from the Xinhui Branch of Jiangmen City Land and Resources Bureau agreeing our Group to continue to retrieve from and use the seawater hot spring resources.

According to the confirmation letter issued by Xinhui Branch of Jiangmen City Land and Resources Bureau on 13 February 2014, Xinhui Branch, based on Approval 232, allowed Guangdong Gudou to obtain the geothermal water. According to the Regulation on Mineral Resources of Guangdong Province* (《廣東省礦產資源管理條例》), the department of the people's government at or above county level which is responsible for the administration of geology and mineral resources has the authority to supervise and administer the exploration and mining of the mineral resources and the environmental protection of the mines and geology within its jurisdiction. Our PRC Legal Advisers confirmed that the Xinhui Branch of Jiangmen City Land and Resources Bureau as the county level authority is the competent local authority to regulate mining activities in Xinhui District. According to the Measures for Administrative Penalties for National Land Resources* (《國土資源行政處罰辦法》), the land resources authority at or above county level shall, in line with its legal responsibilities and the procedures, impose administrative penalties on anyone who violates the laws and regulations on national land resources administration. As advised by our PRC Legal Advisers, Xinhui Branch of Jiangmen City Land and Resource Bureau, based on the Approval No. 232 and the power granted to it by the PRC laws and regulations, it is a county level authority which issued the confirmation allowing our Group to extract seawater hot spring during the transitional period when our Group is under the process of the mining licence application. The confirmation issued by Xinhui Branch of Jiangmen City Land and Resource Bureau does not specify a validity period. Our PRC Legal Advisers therefore take the view that the confirmation remains valid until the mining licence for the seawater hot spring is issued.

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On 21 May 2014, our PRC Legal Advisers conducted a face-to-face interview with the Xinhui Branch of Jiangmen City Land and Resources Bureau, during which the officer confirmed that we would not be penalised for extracting seawater hot spring without the relevant mining licence.

Our PRC Legal Advisers advised us that (i) given the fact that we have paid the mineral resource compensation fees to the relevant authority and that we have obtained the abovementioned confirmation, and considering our remedial actions taken so far, the likelihood that we will be subject to the penalties mentioned above or be required to cease the extraction of hot spring water by the Xinhui Branch of Jiangmen City Land and Resources Bureau during the period is remote; and (ii) as we confirm that it is difficult to ascertain the amount of proceeds generated from the use of the mineral resources attributable to unlicensed extraction, it is likely that the fine imposed on Guangdong Gudou will not exceed RMB100,000.

We have been advised by the Department of Land and Resources of Guangdong Province* (廣東省國土資源廳) that, in accordance with the Notice of the Department of Land and Resources of Guangdong Province regarding the Revision of Approval Authority of Geothermal Mineral Water Mining Rights (《廣東省國土資源廳關於調整地熱礦泉水採礦權審批權限的通知》), the land and resource bureau at city level shall have the right to approve and grant the geothermal mineral water mining right within its jurisdiction. As advised by our PRC Legal Adviser, Jiangmen City Land and Resources Bureau* (江門市國土資源局) is the competent authority at the city level for administrating, supervising and handling matters relating to our Group's mining activities. It is also the higher level authority of the Xinhui Branch of Jiangmen City Land and Resources Bureau. On 21 January 2016, we obtained verbal confirmation through an interview (the "Interview") from Jiangmen City Land and Resources Bureau that (i) it concurs with the confirmation letter dated 13 February 2014 given by the Xinhui Branch of Jiangmen City Land and Resources Bureau; (ii) our Group has been entitled to extract seawater hot spring resources without a mining licence and is allowed to continue to do so until the relevant mining licence is issued; and (iii) it has not received any negative confirmation from the Department of Land and Resources of Guangdong Province in this regard. The Interview was conducted with Mr. Tsang Kam Yuk, ("Mr. Tsang"). Mr. Tsang is the department head of the Geology and Mineral Resource Department of the Land and Resources Bureau of Jiangmen City. As further advised by our PRC Legal Advisers, the said department is the authority which supervises and administrates the development and exploitation of mineral resources and Mr. Tsang is competent to make representations on behalf of the Land and Resources Bureau of Jiangmen City. On 21 January 2016, we obtained verbal confirmation from the Xinhui Branch of Jiangmen City Land and Resources Bureau that, with respect to its confirmation letter dated 13 February 2014 on our Group's extraction of seawater hot spring, it has not received any negative confirmation from Jiangmen City Land and Resources Bureau nor the Department of Land and Resources of Guangdong Province.

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If we fail to obtain the seawater mining licence in the bidding process (as more particularly set forth under the section headed “Rectification actions taken” below), we will discontinue the supply of seawater hot spring and replace the relevant pools with freshwater hot spring. Our Directors, having considered the fact that the actual usage of hot spring water during the Track Record Period (please refer to the section headed “Business — Hot spring resort and hotel operations — Hot spring water” for the actual figures) was below the maximum amount of 660,000 cubic metres freshwater hot spring that we are allowed to extract per annum under the freshwater mining licence, even if our Group fails to obtain the seawater mining licence sought in the bidding process, the maximum amount of freshwater hot spring that our Group is entitled to extract per annum under the freshwater mining licence will be sufficient to provide for our Group’s entire hot spring operations throughout the year, as such the lack of the seawater mining licence and the water extraction permit for seawater hot spring will not have any adverse impact on our Group’s operation, sales and reputation. If our Group shall discontinue the use of seawater hot spring for our *Gudou Hot Spring Resort*, no costs will be incurred for such discontinuance and the replacement with freshwater hot spring. No existing facilities will need to be removed or demolished and no new facilities will need to be built save for the alteration to the setting of the hot spring supply source. If our Group shall cease to provide seawater hot spring and replace seawater hot spring with freshwater hot spring in all the pools in our Gudou Hot Spring Resort, such changes will not have any adverse implication to the costs of operations. The mineral resources compensation fee and water resource fee for both fresh water hot spring and seawater hot spring are the same. We would not be required to pay the annual sea area usage fee of RMB6,300 if we cease to use seawater hot spring.

Having considered the confirmation letter dated 13 February 2014 from the Xinhui Branch of Jiangmen City Land and Resources Bureau, the respective verbal confirmations given by the Xinhui Branch of Jiangmen City Land and Resources Bureau and the Jiangmen City Land and Resources Bureau on 21 January 2016, the fact that the amount of the maximum potential penalty is not material to the financial position of our Group, the fact that the discontinuance of supply of seawater hot spring will not cause any adverse impact to our Group’s operation, sales and reputation, and the advice of our PRC Legal Advisers, our Directors are of the view that such incident will not result in any material adverse impact on our Group’s business financial condition and results of operation.

BUSINESS

Rectification actions taken: In November 2012, in order to facilitate the bidding, auction or quotation process for such mining right, and for the purpose of development of local tourism industry and utilisation, development and reservation of the hot spring resources in Silver Lake Bay, Jiangmen City Land and Resources Bureau* (江門市國土資源局) commissioned a geological consulting firm to carry out verification of such seawater hot spring resources and prepare a resources verification report (“**Resources Report**”). The Resources Report was registered with Jiangmen City Land and Resources Bureau in June 2015. To our best understanding, as the Resources Report has been registered, the bidding, auction or quotation process for the mining right in respect of the seawater hot spring resources is nearly ready to take place which is currently expected to be in the fourth quarter of 2016.

As advised by our PRC Legal Advisers, there is no legal impediment for obtaining the mining licence if we succeed in the bidding or auction.

Non-compliance incident no. 2

Nature of non-compliance incident: The water extraction permit for seawater hot spring obtained by Guangdong Gudou expired on 31 March 2012 and was only renewed on 1 August 2014. Therefore, the extraction of seawater hot spring from 1 April 2012 to 31 July 2014 was in the absence of a valid licence.

Cause of the non-compliance incident: The failure to renew our water extraction licence was due to our inadvertent oversight. In early 2012, before the expiry of the water extraction permit for seawater hot spring, we approached Xinhui District Water Bureau of Jiangmen City* (江門市新會區水務局) (the “**Water Bureau**”) to apply for a renewed water extraction permit as well as an increase of the maximum amount of seawater hot spring extraction.

As required under the applicable laws and regulations, an application for water extraction permit in respect of any new, revised or expanded construction project (requiring an increased maximum amount of extractable water) shall be supported by a water resources verification report* (建設項目水資源論證報告書) prepared by an independent qualified water resources verification consultant. Around the same time as we prepared to apply for the renewal of the water extraction permit, we were given to understand that Jiangmen City Land and Resources Bureau was also preparing for the bidding, auction or quotation process for the mining right in respect of the hot spring resources located at Silver Lake Bay (i.e. the water source of our seawater hot spring) and that Jiangmen City Land and Resources Bureau would need to engage a qualified water resources verification consultant to prepare a resources verification report in such regard. In view of the aforesaid, we decided to rely also on the water resources verification report to be procured by Jiangmen City Land and Resources Bureau to support our application for the water extraction permit and hence we had suspended the process of identifying and engaging an independent qualified water resources verification consultant on our own. Jiangmen City Land and Resources Bureau subsequently appointed a geological consulting firm to carry out verification of the seawater hot spring resources at Silver Lake Bay in November 2012. However, the Resources Report

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was not completed until late 2014. For the purpose of our listing application, we engaged our PRC Legal Advisers who advised us that our failure to obtain a renewed water extraction permit constituted a non-compliance and advised us to take immediate rectification actions. Upon receiving legal advice from our PRC Legal Advisers, we engaged an independent qualified water resources verification consultant to prepare the resources verification report in February 2014.

Notwithstanding that we did not renew the water extraction permit for our seawater hot spring in a timely manner upon expiry, we had made full payment of water resources fees to the relevant government bureau during such period. In addition, we received a letter dated 18 January 2012 (before the expiry of the then water extraction permit) from the Water Bureau confirming that we could continue to pay the water resource fees during the application process. Therefore, we believed that we had taken sufficient actions for extracting seawater hot spring in a compliant manner as required by the relevant PRC laws and regulations. We received the renewed water extraction permit on 1 August 2014.

Legal consequences and potential maximum penalty:

Our PRC Legal Advisers advised that, according to the relevant PRC laws and regulations, we may be penalised with an amount of not less than RMB20,000 but not more than RMB100,000.

Potential operational and financial impact on our Group (where applicable):

As at the Latest Practicable Date, we had not received any notification from the relevant authority alleging that Guangdong Gudou had been in breach of any applicable law and demanding rectification actions or penalty.

We received a letter dated 18 January 2012 from the Water Bureau confirming that, in view of our expansion plan, according to the relevant provisions of the Regulation on the Administration of the Licence for Water Drawing and the Levy of Water Resource Fees (《取水許可和水資源費征收管理條例》), we could apply for the water extraction permit, and in the meantime we could continue to pay the water resource fees during the application process. According to the above regulation, entities that extract water shall pay water resource fees. As such, our PRC Legal Advisers are of the view that our Group was allowed to extract seawater from 1 April 2012 to 31 July 2014 when our Group was under the process of applying for renewal of the relevant permit by the Water Bureau according to its confirmation letter dated 18 January 2012.

Based on the remedial actions taken, and considering the confirmation letter dated 18 January 2012 from the Water Bureau and the fact that we were granted a renewed water extraction licence for seawater hot spring on 1 August 2014, our PRC Legal Advisers are of the view that the likelihood that we will be penalised for the past non-compliance is practically remote. Accordingly, our Directors are of the view that such incident will not result in any material adverse impact on our Group's business, financial condition and results of operations.

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Rectification actions taken: Despite the fact that the previous water extraction permit had expired on 31 March 2012, we continued to pay the water resource fees to the relevant authority up to the renewal of the permit.

We received the renewed water extraction permit for seawater hot spring on 1 August 2014. The water extraction permit with the validity period from 1 August 2014 to 31 July 2019 indicates that the maximum annual water extraction amount allowed is 730,000 cubic meters while the water extraction permit with the validity period from 1 April 2007 to 31 March 2012 allows annual water extraction in the amount of 255,500 cubic meters. Therefore, the Water Bureau has approved our request for an increase in the annual water extraction amount to 730,000 cubic meters.

Non-compliance incident no. 3

Nature of non-compliance incident: The building which we plan to use as our property management office within our Gudou Hot Spring Resort (of a GFA of approximately 485 sq.m.) (“**Property Management Office**”) was constructed by Guangdong Gudou before obtaining the relevant construction works planning permit (建設工程規劃許可證), (the “**Planning Permit**”) and construction works commencement permit (建設工程施工許可證, the “**Construction Permit**”, together with the Planning Permit, the “**Planning and Construction Permits**”). The Property Management Office has not passed the project completion inspection and acceptance (竣工驗收) procedure. After completion of the construction, Guangdong Gudou applied for, and was granted, the Planning Permit on 28 November 2013 and the Construction Permit on 24 March 2015.

In addition, Guangdong Gudou constructed the following buildings (of an aggregate GFA of approximately 1,913.69 sq.m.) without relevant Planning Permit and had not passed the relevant completion inspection and acceptance:

- (a) 13 buildings (comprising 11 retail shops, one hut and one gazebo) in various zones in our Gudou Hot Spring Resort, which include the God of Wealth Plaza, the Baden Avenue (巴登大道) and Hot Spring Island Avenue (溫泉島大道) (the “**13 Buildings**”);
- (b) five houses in our *Gudou Hot Spring Resort* which we deploy as staff quarters (“**Staff Quarters**”);
- (c) a water pump room located at Xinzhouwei, Silver Lake Bay (銀湖灣新洲圍); and
- (d) one hut which we lease out for a restaurant with a GFA of approximately 200.8 sq.m. located at Gudou Hot Spring Resort (“**Lychee Garden Restaurant**”).

The construction of these buildings in the absence of a valid Planning Permit and/or Construction Permit and/or passing the project completion inspection and acceptance procedure violated the relevant PRC laws and regulations.

BUSINESS

Cause of the non-compliance incident: The failure to obtain the relevant permits was due to our inadvertent oversight of the applicable laws and regulations.

Legal consequences and potential maximum penalty: Our PRC Legal Advisers advised that, according to the relevant PRC laws and regulations:

- (i) if a construction project proceeds without obtaining the relevant Planning Permit or is in violation of the requirements thereof, the relevant planning authorities shall order the construction entity to stop construction. If it is still possible for the construction entity to take measures to eliminate the impact on the implementation of the relevant authority's town planning, the relevant planning authorities shall order the construction entity to rectify within a prescribed time limit and impose a fine ranging from 5% to 10% of the construction cost; if it is impossible to take measures to eliminate the impact, the relevant planning authorities shall order the construction entity to complete the demolitions of the building or structure within a prescribed time limit or in the case where demolition is not possible, the relevant planning authorities shall confiscate the building or the illegal gain arising from such building, and may also impose a fine not more than 10% of the construction cost.
- (ii) if a construction entity starts construction without the relevant Construction Permit, the relevant authorities shall order the construction entity to cease construction and take remedial actions within a prescribed period of time, and may impose a fine ranging from 1% to 2% of the construction cost.

Notwithstanding the foregoing, according to the Construction Permit Guidelines (《建築工程施工許可管理辦法》), for the construction of any building of an area of less than 300 sq.m., the construction entity does not have to apply for a Construction Permit.

- (iii) if the construction entity delivers the project for use without passing the project completion inspection and acceptance, then the relevant authorities shall order the construction entity to make rectifications and shall impose a fine of not less than 2% but not more than 4% of the price stipulated in the construction contract. The construction entity shall also be liable for all losses incurred in relation to such construction.

In addition, if the buildings are constructed in the absence of the relevant Planning and Construction Permit and the project completion inspection and acceptance in respect of these buildings is not performed and passed, the construction entity will not be able to apply for building ownership certificate for these buildings. In the absence of the title registration procedure and issuance of a building ownership certificate, the owner may not transfer, assign, mortgage, charge or dispose of the title of these buildings.

BUSINESS

**Potential
operational
and financial
impact on our
Group (where
applicable):**

As at the Latest Practicable Date, Guangdong Gudou had not received any notification from the relevant authority alleging that there was any violation on the part of Guangdong Gudou of any relevant PRC construction and building laws and regulations and imposing penalties.

For the subject building structures other than our Property Management Office and Lychee Garden Restaurant, we received (i) a letter dated 17 March 2014 from Xinhui Branch of Jiangmen City Urban and Rural Planning Bureau* (江門市城鄉規劃局新會分局) confirming that these buildings were regarded as tourist ancillary facilities in the resort or functional facility and we can continue to use the buildings, and (ii) a letter dated 1 August 2014 from Xinhui Branch of Jiangmen City Bureau of Housing and Urban and Rural Development* (江門市新會區住房和城鄉建設局) confirming that, based on the letter referred to in (i) above, there is no need to apply for the relevant Construction Permit and for registration of the project completion inspection and acceptance, and we can continue to use the buildings on condition that the building structure is safe. Based on the aforesaid confirmations from the relevant authorities, our PRC Legal Advisers take the view that the likelihood that the relevant authority will order us to demolish the buildings, or impose any penalty on us, is relatively low.

With respect to the relevant building structures (other than the Property Management Office and the Lychee Garden Restaurant), based on our Group's internal record, the total construction costs for these building structures amounted to approximately RMB867,000. Based on the aforesaid letter dated 1 August 2014 from Xinhui Branch of Jiangmen City Bureau of Housing and Urban and Rural Development* (江門市新會區住房和城鄉建設局), our PRC Legal Advisers take the view that we do not need to obtain the Construction Permit or register the project completion inspection and acceptance for these building structures. As a result, we are subject to (i) a maximum penalty of approximately RMB87,000 calculated based on 10% of the construction costs due to the failure to obtain Planning Permit and (ii) a maximum fine of approximately RMB35,000 calculated based on 4% of the construction costs due to the failure to pass the project completion inspection and acceptance.

For the Property Management Office, the PRC Legal Advisers is of the view that, considering that Guangdong Gudou had already been granted the relevant Planning Permit and Construction Permit and Guangdong Gudou was not penalised during its application for the aforesaid permits, the likelihood that relevant authority imposing any penalty on us for the past lack of Planning and Construction Permits is low. The price stipulated in the construction contract of the Property Management Office is approximately RMB1,255,000. Therefore, we are subject to the maximum penalty of approximately RMB50,200 calculated based on 4% of the prices stipulated in the construction contract due to the failure to conduct the project completion inspection and acceptance.

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With respect to the Lychee Garden Restaurant, based on our Group's internal record, the total construction costs for such building structure amounted to RMB150,000. Given that the GFA of Lychee Garden Restaurant is less than 300 sq.m., our PRC Legal Advisers take the view that the absence of the Construction Permit for the construction of Lychee Garden Restaurant did not constitute a non-compliance in this respect. As a result, we are subject to (i) a maximum penalty of RMB15,000 calculated based on 10% of the construction costs due to the failure to obtain Planning Permit and (ii) a maximum fine of RMB6,000 calculated based on 4% of the construction costs due to the failure to pass the project completion inspection and acceptance.

Considering the remedial actions taken in respect of our Property Management Office and Lychee Garden Restaurant, the letters issued from the relevant authorities to Guangdong Gudou in relation to the other building structures, the advice of our PRC Legal Advisers, and the fact that the amount of maximum penalty which we are subject to is not material to our financial position, our Directors are of the view that such incidents will not result in any material adverse impact on our Group's business, financial condition and results of operations.

**Rectification
actions taken:**

With respect to our Property Management Office, Guangdong Gudou applied for, and was granted, the relevant Planning Permit on 28 November 2013 and the Construction Permit on 24 March 2015, and has passed the project completion inspection and acceptance procedure. After having completed the initial registration procedure of building ownership, we have obtained the corresponding real estate title confirmation (being the equivalent of building ownership certificate for proof of title ownership for this type of property, as advised by our PRC Legal Advisers) in August 2015. Our PRC Legal Advisers are of the view that such non-compliance incident was fully rectified as at the Latest Practicable Date.

With respect to the relevant building structures (other than the Property Management Office and the Lychee Garden Restaurant), based on the aforesaid letter dated 1 August 2014 from Xinhui Branch of Jiangmen City Bureau of Housing and Urban and Rural Development* (江門市新會區住房和城鄉建設局), subject to the safety of these building structures, there is no need for us to apply for the Construction Permit and register the project completion inspection and acceptance in respect of these relevant building structures.

We have appointed a qualified safety inspection company to carry out inspection of the safety conditions of the subject buildings. Based on the respective reports prepared by such qualified safety inspection company, the condition of each of the subject buildings is fit for use in its current state during the validity period as stated in the relevant report.

We have obtained the building ownership certificate for the Staff Quarters in June 2015.

We have demolished the 13 Buildings and the Lychee Garden Restaurant.

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The carrying value of the 13 Buildings were approximately RMB0.3 million and nil as at 31 December 2014 and 2015, respectively. No carrying value was assigned to the Lychee Garden Restaurant as at 31 December 2014 and 2015, respectively.

Revenue generated from the 13 Buildings and the Lychee Garden Restaurant in aggregate amounted to approximately RMB0.2 million, RMB0.1 million and nil for each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016, respectively, accounting for approximately 0.1%, 0.1% and nil of our Group's total revenue for the same periods, respectively.

The costs and losses arising from the demolition and disposal of the 13 Buildings and the Lychee Garden Restaurant were approximately RMB0.6 million and the total amount of rental income given up by our Group under the then subsisting lease agreements as a result of such demolition is approximately RMB0.3 million.

In view of (i) the relatively insignificant revenue contribution by the 13 Buildings and the Lychee Garden Restaurant to our Group during the Track Record Period; and (ii) the relatively insignificant amount of costs for the demolition of these buildings, our Directors consider that these buildings are not crucial to our Group's operations and the demolition of these buildings will not result in any material adverse impact on our Group's operations or results of operation.

Non-compliance incident no. 4

Nature of non-compliance incident: There were 11 leases that related to 11 different properties constructed by Guangdong Gudou and under which Weisheng Investment acted as the landlord for and on behalf of Guangdong Gudou. Our PRC Legal Advisers are of the view that the above arrangements between Guangdong Gudou and Weisheng Investment do not violate any applicable PRC laws and regulations. These properties, comprising seven commercial stores in the *God of Wealth Plaza*, three commercial stores in Hot Spring Island Avenue and Baden Avenue and the Lychee Garden Restaurant (the "**Subject Properties**"(Note)), were constructed in the absence of the relevant Planning Permit and/or Construction Permit. The leases of the Subject Properties therefore violated the Commercial Property Leasing Management Regulations (《商品房屋租賃管理辦法》). The expiry dates of the leases of the Subject Properties range from 30 September 2015 to 31 December 2016.

Cause of the non-compliance incident: The failure to obtain the relevant Planning Permit and/or Construction Permit was due to our inadvertent oversight of the applicable laws and regulations.

Note: The Subject Properties had an aggregate GFA of approximately 369.0 sq.m. before their demolition. The annual rental income arising from the Subject Properties in aggregate amounted to approximately RMB0.2 million. More importantly, for each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016, our total rental income only accounted for approximately 0.5%, 0.4% and 0.8% of our total revenue, respectively. Given the foregoing, our Directors consider that the Subject Properties are neither individually nor collectively crucial to our Group's operations.

BUSINESS

Legal consequences and potential maximum penalty: According to our PRC Legal Advisers, under the relevant PRC laws and regulations, for any lease of a building that was not constructed in compliance with applicable laws and regulations, the relevant authority may require the lessor to take rectification actions within a prescribed period of time, and may also impose a penalty of an amount of one to three times of the rental income arising from such building (subject to a maximum of RMB30,000).

In addition, if the buildings are constructed in the absence of the relevant Planning and Construction Permits and the project completion inspection and acceptance in respect of these buildings is not performed, the construction entity will not be able to apply for building ownership certificate for these buildings. In the absence of a building ownership certificate, the owner may not transfer, assign, mortgage, charge or dispose of the title of these buildings.

Potential operational and financial impact on our Group (where applicable): We received a confirmation letter from Xinhui Branch of Jiangmen City Urban and Rural Planning Bureau* (江門市城鄉規劃局新會分局) which confirms that we may continue to use 10 of the Subject Properties (which are those located at the *God of Wealth Plaza*, Hot Spring Island Avenue and Baden Avenue). As a result, our PRC Legal Advisers take the view that the likelihood that we are subject to rectification actions or penalties is practically low.

The monthly rental income arising from the Subject Properties under the relevant lease agreements ranges from RMB484 to RMB2,299, and the aggregate rental income arising from the Subject Properties from their respective commencement dates of the relevant lease agreements and up to their demolition amounted to approximately RMB0.4 million (and thus would exceed the ceiling of RMB330,000 for 11 properties). Therefore, the maximum penalty that we are subject to is RMB330,000.

Based on the foregoing, and considering that the amount of maximum penalty which we are subject to is not material to our financial position, our Directors are of the view that such incidents will not result in any material adverse impact on our Group's business, financial condition and results of operations.

Rectification actions taken: We have terminated the leases and demolished the Subject Properties.

Non-compliance incident no. 5

Nature of non-compliance incident: During the Track Record Period, each of Guangdong Gudou, Jiangmen Gudou Management, Jiangmen Gudou Development and Weisheng Investment maintained current account balances with certain of our related companies, staff and Controlling Shareholder's acquaintances and their respective affiliates. As advised by our PRC Legal Advisers, advances from/to our subsidiaries to/from companies ("**Advances Due From/To Companies**") may be considered to be money lending among enterprises and in such case, would violate the relevant PRC lending regulations implemented by PBOC.

BUSINESS

As at 31 December 2014 and 2015 and 31 May 2016, our lending to the aforesaid parties, which were non-interest bearing in nature, amounted to approximately RMB24.1 million, nil and nil, respectively. As at the same dates, we had no outstanding borrowings from the aforesaid parties.

The following table sets forth a reconciliation of our lending during the Track Record Period as aforementioned with our other receivables (non-recurring in nature) and due from related companies as set out in the sub-section headed “Financial information — Selected items in the consolidated statements of financial position”:

	As at 31 December		As at 31 May
	2014	2015	2016
	RMB (million)	RMB (million)	RMB (million)
Other Receivables — non-recurring in nature	1.1	—	—
<i>Less:</i> Certain non-recurring other receivables from individuals which would not violate the Lending General Provisions (貸款通則)	(0.8)	—	—
	0.3	—	—
Amounts due from related companies — Advances to Mr. Hon’s companies	23.8	—	—
Advances to other companies	24.1	—	—

Cause of the non-compliance incident:

The transactions under the Advances Due From/To Companies were not to earn profit, but were entered into for the purpose of (i) re-allocation of financial resources among the private group of companies controlled by our Controlling Shareholder; (ii) addressing the actual needs of our employees and senior management; and (iii) maintaining a good relationship with Controlling Shareholder’s acquaintances. Such non-compliance was mainly due to a lack of understanding by our senior management of the restrictions on the relevant PRC lending regulations implemented by PBOC, and the misconception that the provision or receipt of interest-free non-profit generating loans were not in violation of any laws or regulations.

Legal consequences and potential maximum penalty:

As advised by PRC Legal Advisers, according to the Lending General Provisions (貸款通則), lenders must be approved by PBOC to engage in lending business and they must hold financial institution legal person licences (金融機構法人許可證) or financial institution business licences (金融機構營業許可證) issued by PBOC. The Lending General Provisions also stipulate that, if enterprises engage in lending and borrowing or lending and borrowing in a disguised form between themselves without authorisation, PBOC shall impose a fine on the lender ranging from one to five times the interest income gained in violation of Provisions and PBOC shall suppress the activities.

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Potential operational and financial impact on our Group (where applicable):

As advised by the PRC Legal Advisers, given that the Advances Due From/To Companies were interest-free and had been fully settled, we will not be subject to any fines by PBOC. Also, given that (i) other than the transactions under the Advances Due From/To Companies, there were no other business relationships among our related companies, staff and Controlling Shareholder's acquaintances and their respective affiliates; (ii) as mentioned in the sub-section headed "Relationship with our Controlling Shareholders — Financial independence", we are financially independent of our Controlling Shareholders and their close associates; (iii) all the outstanding balances were fully settled by our Group's internal funds; and (iv) as mentioned in the sub-section headed "Financial information — Working capital" that taking into account the financial resources to our Group, including internally generated funds from our operating activities, available banking facilities and other borrowings, and the estimated net proceeds from the Placing, without taking into consideration of the possible advances due from/to any of such companies, our Directors are of the opinion that our Group has sufficient working capital for at least the next 12 months from the date of this prospectus, our Directors are of the view that such incidents and the cessation of the transactions under the Advances Due From/To Companies will not result in any material adverse impact on our Group's business, financial condition and results of operations.

Rectification actions taken:

Our Group has ceased providing further advances to enterprises in violation of the Lending General Provisions since September 2014 and the outstanding balances were fully settled in April 2015. Our Group has ceased receiving further advances from enterprises in violation of the Lending General Provisions since August 2014 and the outstanding balances were fully settled by our Group's internal funds in December 2014. There has been no recurrence of the provision of advances since September 2014 and the acceptance of advances since August 2014. As at the Latest Practicable Date, there had been no dispute between the parties.

Our Directors further confirm that our Group will not enter into similar arrangements in the future.

Non-compliance incident no. 6

Nature of non-compliance incident:

During the year ended 31 December 2014, Guangdong Gudou had issued single-use commercial prepaid cards in contravention of ten provisions stipulated in the Prepaid Cards Measures. The violations include among other things, failures to provide an article setting out the terms and conditions for the prepaid card, provide signed agreement in relation to the purchase of the prepaid card, record and register the personal information of card holders, implement a maintenance and management system for the capital arising from the prepaid card, establish separate accounts for capital arising from the prepaid cards and file with the relevant authority in respect of the issuance of the prepaid card. The prepaid cards also had a valid period of less than three years in violation of the Prepaid Cards Measures. Guangdong Gudou had sold 3,731 prepaid cards for approximately RMB0.6 million during the year ended 31 December 2014.

Cause of the non-compliance incident:

The violations were due to our inadvertent oversight of the applicable laws and regulations.

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Legal consequences and potential maximum penalty: As advised by our PRC Legal Advisers, according to the Prepaid Cards Measures, with respect to contravention of any provision of the Prepaid Cards Measures, the relevant authority may order any defaulting entity to make rectification within a prescribed time limit, failing which a penalty of not less than RMB10,000 and not more than RMB30,000 will be imposed. Accordingly, the maximum penalty of Guangdong Gudou (which had violated ten provisions of the Prepaid Cards Measures) would be RMB300,000.

Potential operational and financial impact on our Group (where applicable): As at the Latest Practicable Date, we had not received any notification from the relevant authority alleging that we had been in breach of the Prepaid Cards Measures and demanding rectification actions.

Based on the remedial actions taken, the PRC Legal Advisers are of the view that the likelihood that we will be penalised by the relevant authority is practically remote. Given the foregoing, and considering that the amount of the maximum penalty to which Guangdong Gudou may be subject is not material to our Group's financial position, our Directors are of the view that such incident will not result in any material adverse impact on our Group's business, financial condition and results of operations.

Rectification actions taken: In October 2013, Guangdong Gudou entered into an agreement with China Merchant Bank Foshan Branch* (招商銀行股份有限公司佛山分行) (“**CMB Foshan**”), pursuant to which Guangdong Gudou engages and entrusts CMB Foshan to hold and supervise the capital arising from the prepaid card.

Guangdong Gudou also established the article setting out the terms and conditions for the prepaid card, as well as the prepaid card capital management manual. Our PRC Legal Advisers take the view that the manual and article established for the prepaid card are in compliance with the applicable laws and regulations.

Guangdong Gudou made registration with the relevant authority of its issuance of the prepaid card on 4 November 2014.

The validity period of the prepaid cards has been revised to three years which complies with the requirements of the Prepaid Cards Measures from 20 October 2014. The revised validity period retrospectively applies to all prepaid cards (including those issued before the revision date). According to the manual and article, any unused prepaid amounts can still be utilised even if the validity period has expired. The balancing amount in the prepaid cards would not be forfeited after the expiry of the validity period. No forfeiture income was generated during the Track Record Period.

Indemnity by Controlling Shareholders

Our Controlling Shareholders have given indemnities in favour of our Group in connection with, inter alia, any non-compliance with the applicable laws, rules or regulations of Hong Kong and the PRC on all matters and any non-compliance disclosed in this prospectus by any member of our Group which took place before the Listing Date. Further details of the said indemnities are set out in the sub-paragraph headed “D. Other information — 2. Tax and other indemnities” in Appendix V to this prospectus.

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Our Directors are satisfied that our Controlling Shareholders have sufficient financial resources to honour their obligations to provide indemnities in respect of the aforesaid non-compliance incidents against our Group under such deed of indemnity.

Provision for potential penalties

During the Track Record Period and up to the Latest Practicable Date, we had not received any notification from the relevant authorities alleging that there was any violation by any member of our Group of any applicable laws and regulations and imposing penalties in respect of the non-compliance incidents disclosed in the paragraph headed “Non-compliance” in this section of the prospectus. To the extent applicable, we had taken appropriate rectification actions for all the aforementioned non-compliance incidents as at the Latest Practicable Date. Furthermore, to the extent possible and applicable, we have obtained confirmations from the relevant competent authorities and advice from our PRC Legal Advisers that the likelihood of us being penalised as a result of any of our historical non-compliance incidents is practically remote. In addition, our Controlling Shareholders have given indemnities in favour of our Group in connection with our past non-compliance incidents as detailed in the paragraph headed “Indemnity by Controlling Shareholders” in this section above. Accordingly, our Directors are of the view that it was not probable that an outflow of resources embodying economic benefits will be required in connection with such historical non-compliance incidents and, accordingly, no provision for the penalties that may arise from any non-compliance incidents was made during the Track Record Period.

Enhanced internal control measures

We have taken the following measures to enhance our internal control system to prevent the recurrence of similar non-compliance incidents in the future.

Specific internal control measures adopted to prevent future non-compliance incidents

Non-compliance in respect of property related regulations

Regarding obtaining planning and construction permits before the relevant buildings are constructed and delivered for use, the manager of our property development team is responsible for monitoring timely application of all required permits for the relevant building constructions (such as land use right certificates, planning permits, construction permits, and building ownership certificates). For each project, starting from October 2014, a checklist will be prepared and updated from time to time to record the status of all required permits on all the construction projects in progress. On a quarterly basis during the construction period, the manager is responsible for reporting the checklist to the vice president of the property development team for monitoring the progress of permit applications. A property project development manual has been established and implemented.

Mr. Liang Juquan, the vice president of Guangdong Gudou is responsible for monitoring and ensuring our future compliance with the relevant laws and regulations applicable to our tourism property development projects.

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Non-compliance in respect of Lending General Provision (貸款通則)

Regarding the transactions under the Advances Due From/To Companies, we have adopted capital management policies starting from October 2014 under which we regulate and monitor closely, among other things, our cash and bank account management, and loan procedures. It includes specific internal control measures to prevent the re-occurrence of similar advances to/from other companies, including the following:

Loan procedures

- The purpose of loans should be for the purpose of financing for our Group's investment or business operations.
- Any plan for financing needs to be approved by our financial controller and our chief executive officer. For plans exceeding RMB50,000,000, Board approval is also required.

Cash and bank account management policies

- Any department or individual is prohibited from using any of our Group's bank accounts to deposit or withdraw cash for other companies or personnel not for the purpose of the ordinary course of business of our Group. Besides, any department or individual is prohibited to borrow cash privately or misappropriate cash for any reason.

To monitor the compliance of the above policies, all accounting vouchers are prepared by an accounting staff and reviewed by an accounting manager or prepared by an accounting manager and reviewed by the financial controller of our Company.

Non-compliance in respect of extraction of seawater hot spring in the absence of the relevant mining licence and water extraction permit

Regarding the extraction of seawater hot spring, Mr. Huang Zhanxiong, our executive Director, was responsible for ensuring our Group's compliance with applicable PRC laws and regulations, primarily through conducting on-going assessments in response to new legal and regulatory requirements, updating compliance and internal control procedures and overseeing their implementation from time to time, monitoring whether there has been any recurrence of operation in absence of relevant licence and permit and reporting the status of compliance to the Board on a monthly basis starting from January 2014. Since the appointment of Ms. Zhen Yaman as the compliance officer of our Group in May 2016, she has taken up the primary responsibility for the above matters.

Other non-compliance incidents

For other non-compliance incidents, we have also taken other enhanced measures to prevent the recurrence of similar non-compliance incidents in the future. Details of such measures please refer to the paragraph headed "Risk management and internal control" in this section.

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Suitability for Listing

Our Directors are of the view, and the Sole Sponsor concurs, that the historical non-compliance incidents of our Group do not affect the suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules, and the suitability for the Listing under Rule 11.06 of the GEM Listing Rules on the following grounds:

- as part of the Listing process, our Directors have undergone training in connection with, among other things, the duties of directors under the GEM Listing Rules and the applicable laws provided by our legal counsel as to laws of Hong Kong;
- as part of the Listing process, we have retained our PRC Legal Advisers to advise us on the PRC legal and regulatory requirements applicable to us and our business operations;
- our Directors confirm that there has been no recurrence of any of our Group's historical non-compliance incidents since the implementation of the enhanced internal control measures; and
- our Directors are of the view, and the Sole Sponsor concurs, that the past non-compliance incidents do not involve any dishonesty or fraud on the part of our Directors or cast any doubt on their integrity or competence having considered the facts and circumstances leading to the non-compliance incidents and the remedial actions taken and our measures to avoid future similar incidents.

Save as disclosed above, to the best knowledge of our Directors, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had complied with all relevant laws and regulations applicable to us in all material respects concerning our operations.

Save as disclosed above, as advised by our PRC Legal Advisers, to the best of their knowledge, during the Track Record Period, we were in compliance in all material respects with the relevant PRC laws, regulations and requirements relating to our hot spring resort and hotel operations and tourism property development, including the regulations that mandate the possession of relevant and valid licences, certificates and permits.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, none of the members of our Group was engaged in any pending litigation, claim or arbitration of material importance nor, to the best of our knowledge, is any litigation, claim or arbitration of material importance pending or threatened against any member of our Group.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS

Our Board consists of eight Directors, of whom three are executive Directors, two are non-executive Directors and three are independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business. The following table sets out certain information in respect of the members of our Board:

Name	Age	Time of joining our Group	Position	Principal role and responsibilities	Date of appointment	Relationship with other Directors or senior management
Mr. HON Chi Ming (韓志明) (formerly known as 韓明 and HAN Ming)	54	Founder	Chairman, chief executive officer and executive Director	Overall management, strategic planning and development of our Group's business operations	10 January 2014	Father of Mr. K. F. Hon
Mr. HUANG Zhanxiong (黃展雄)	55	April 2006	Executive Director	Overall management, strategic planning and development of our Group's business operations	13 February 2015	N/A
Ms. ZHEN Yaman (甄雅曼)	37	May 2016	Executive Director	Overall management, overseeing legal, compliance and corporate governance matters of our Group	19 May 2016	N/A
Mr. HON Ka Fung (韓家峰)	27	July 2012	Non-executive Director	Advising on strategic planning of our Group	24 November 2014	Son of Mr. Hon
Mr. HUI Chin Tong Godfrey (許震堂)	56	September 2014	Non-executive Director	Advising on strategic planning of our Group	29 September 2014	N/A
Mr. CHIU Chi Wing (趙志榮)	53	November 2016	Independent non-executive Director	Overseeing our Group with an independent perspective and judgement	18 November 2016	N/A
Mr. Wu Sai Him (胡世謙)	68	November 2016	Independent non-executive Director	Overseeing our Group with an independent perspective and judgement	18 November 2016	N/A
Prof. WANG Dawu (王大悟)	70	November 2016	Independent non-executive Director	Overseeing our Group with an independent perspective and judgement	18 November 2016	N/A

During the Track Record Period, our Group had various non-compliance incidents. Please refer to the sub-section headed “Business — Non-compliance” of this prospectus for details. Notwithstanding such non-compliance incidents in the past, our Company is of the view that our Directors are competent and are able to manage our Group's business in a law abiding manner going forward for the following reasons:

- (i) our Directors have put in place enhanced internal control measures in response to our Group's non-compliance incidents, details of which are set out in the section headed “Business — Non-compliance” of this prospectus. Our Company has implemented such measures for more than 12 months, and up to the Latest Practicable Date, our Directors have been able to monitor and prevent the recurrence of any similar non-compliance incidents and to operate our Group's business in a law abiding manner;

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- (ii) none of our non-executive Directors and our independent non-executive Directors was involved in the management of our Group at the time the non-compliance incidents occurred. Our Company believes that our new Directors will bring in expertise and knowledge on various fields to our Board. Our independent non-executive Directors, namely Mr. Chiu Chi Wing is a certified public accountant with 25 years of experience in auditing and internal auditing, Mr. Wu Sai Him has over 38 years of experience in building construction and civil-engineering field and Prof. Wang Dawu is a recognised expert in the tourism and hospitality industry in the PRC. In addition, Mr. Hui Chin Tong Godfrey, our non-executive Director has served as director of other listed companies in Hong Kong and the United States. Our Company believes that the expertise and knowledge of the new Directors will enhance our Board's competency as a whole in overseeing the business of our Group;
- (iii) one of the executive Directors, Ms. Zhen Yaman, is a qualified lawyer in the PRC and has over nine years of experience in legal, compliance and corporate governance matters. Ms. Zhen will act as our compliance officer as well as the chairlady of the compliance committee of our Company to monitor and oversee the compliance related matters of our Group. We consider that the appointment of Ms. Zhen as an executive Director will further strengthen the management capability of our Board;
- (iv) going forward, in addition to the enhanced internal control measures and procedures including the establishment of the compliance committee and audit committee, our Company will appoint external advisers including legal advisers as to Hong Kong laws and PRC laws, a compliance adviser and an external independent internal control consultant. Our Company believes that these measures are able to provide an effective thorough-going system to assist and ensure that our Directors will be able to manage our Group's business in a law abiding and compliant manner;
- (v) to prepare themselves as directors of a listed company and to equip themselves with the necessary legal and regulatory knowledge of the ongoing obligations of themselves and our Group, all our Directors have attended trainings provided by our Company's legal advisers as to Hong Kong laws and PRC laws; and
- (vi) it is also intended that going forward, in order to keep all relevant staff, including our Directors, abreast of compliance related issues and its significance to our Group's operations, as well as our Group's risk management and internal control policies, our Company will retain legal advisers as to Hong Kong laws and PRC laws to advise our Company and to provide trainings to all relevant staff on a semi-annual basis.

In view of the above, our Directors are of the view, and the Sole Sponsor concurs, that our Directors are competent in managing our Group's business and in a law abiding manner going forward.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

EXECUTIVE DIRECTORS

Mr. HON Chi Ming (韓志明) (formerly known as 韓明 and HAN Ming), aged 54, is our founder, chairman, chief executive officer and executive Director. He is also the president of Guangdong Gudou, and the director of all of our subsidiaries, except Yueguangqu Entertainment. He is primarily responsible for the overall management, strategic planning and development of our Group. He founded our 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 currently performing the roles of chairman and chief executive officer of our Company. Under code provision A.2.1 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules, 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.

Prior to founding our Group, Mr. Hon was an indirect shareholder of Guangzhou Jingteng Real Estate Development Co., Ltd.* (廣州景騰房地產發展有限公司) ("**Guangzhou Jingteng**"), a sino-foreign co-operative joint venture enterprise established in the PRC in 1995 and principally engaged in the development and sale of property in Guangzhou City, the PRC. Subject to application for extension of the operation duration, the operation duration of Guangzhou Jingteng as agreed between the joint venture partners and stipulated in the business licence of Guangzhou Jingteng expired on the tenth anniversary of its date of establishment. Mr. Hon, being the shareholder of the foreign joint venture partner of Guangzhou Jingteng, had also been the legal representative and a director of Guangzhou Jingteng from 1995 until 2007 when its business licence was revoked. Under the relevant PRC regulations, a PRC enterprise is required to undergo annual inspection within a prescribed time frame, failing which its business licence will be revoked by the Administration of Industry and Commerce ("**AIC**"). As advised by Mr. Hon, prior to the expiry of the operation duration of Guangzhou Jingteng in 2005, one of the sino joint venture partners neither agreed to extend Guangzhou Jingteng's operation duration nor cooperate with the foreign joint venture partner to put Guangzhou Jingteng into dissolution. As a result of the differences between the partners and uncooperative attitude of the said sino joint venture partner, Guangzhou Jingteng ceased to carry out any business activities since July 2005. After the expiry of the operation duration of Guangzhou Jingteng in 2005, Guangzhou Jingteng did not submit the annual inspection documents of Guangzhou Jingteng within the prescribed time frame. As a result, the business licence of Guangzhou Jingteng was revoked by Guangzhou AIC on 2 January 2007 due to its failure to undergo the requisite annual inspection. According to the Company Law of the PRC (《中華人民共和國公司法》) and the Provisions on Administration of Enterprise Legal Person's Legal Representative Registration (《企業法人法定代表人登記管理規定》) (the "**Provisions**"), if the legal representative of a PRC enterprise (the "**First Enterprise**") is also serving as the legal representative of another PRC enterprise (the "**Second Enterprise**") whose business licence has been revoked within the preceding three years due to violation of

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the applicable law, and such person is personally liable for the Second Enterprise's violation, the First Enterprise shall apply to change the registration of its legal representative within the three-year period since the date of the said business licence revocation. If the First Enterprise does not apply to change its legal representative, the relevant enterprise registration authority shall order it to complete the said procedure within a prescribed time frame, and if the First Enterprise fails to complete the said procedure within the prescribed time frame, a penalty ranging from RMB10,000 to RMB100,000 will be imposed (the "**Relevant Penalty**"). Accordingly, Mr. Hon was prohibited under the relevant PRC laws and regulations from acting as the legal representative, director, supervisor or senior executive of any other PRC enterprises for a period of three years from 2 January 2007 (being the date of revocation of the business licence of Guangzhou Jingteng). Mr. Hon has been the director and legal representative of Guangdong Gudou since its establishment on 25 October 2001. As confirmed by Mr. Hon, due to his unawareness of the restrictions under the relevant laws and regulations at that time in the absence of proper and timely legal advice, and the fact that Guangdong Gudou had not been requested by the relevant AIC to change its legal representative or its director and it had passed the annual inspection during the aforesaid three-year period, Mr. Hon was not aware that he was in violation of the relevant laws and regulations and continued to act as the legal representative and a director of Guangdong Gudou during the aforesaid three-year period (the "**Breach**"). Given that Guangdong Gudou had not been requested by the relevant AIC to change its legal representative during the aforesaid three-year period, Guangdong Gudou had passed the annual inspection during the aforesaid three-year period, and the time limit for imposing administrative penalty on Mr. Hon for such violation has passed, our PRC Legal Advisers are of the view that Mr. Hon will not be subject to any administrative penalty due to the aforesaid violation during the aforesaid three-year period.

As (i) Guangdong Gudou had not received any order issued by the relevant AIC authority to change its legal representative within a prescribed time frame; (ii) according to the Law of the PRC on Administrative Penalty (《中華人民共和國行政處罰法》), administrative penalty will no longer be imposed if the law violating behaviour has not been found out within two years (the "**Limitation Period**") unless otherwise stipulated by the specific law; and (iii) the three-year period commencing from 2 January 2007 (being the date of revocation of the business licence of Guangzhou Jingteng) as well as the Limitation Period has long expired, our PRC Legal Advisers are of the view that no penalties will be imposed on our Group for the Breach. Accordingly, Guangdong Gudou will not be subject to any legal consequence due to the Breach. Accordingly, our Directors are of the view that the Breach will not result in any adverse impact on our Group's business, financial condition and results of operations. Notwithstanding the aforesaid, our Controlling Shareholders have given indemnities (further details of which are set out in the paragraph headed "D. Other information — 2. Tax and other indemnities" in Appendix V to this prospectus) ("**Indemnity**") in favour of our Group which cover, among other things, any non-compliance with the applicable laws, rules or regulations of Hong Kong and the PRC on all matters and any non-compliance disclosed in the prospectus by any member of our Group which took place before the Listing Date. Accordingly, the Relevant Penalty in connection with the Breach is covered by the Indemnity.

During the aforesaid three-year period, except for being the director and legal representative of Guangdong Gudou as disclosed, Mr. Hon did not serve as the legal representative, director, supervisor or senior executive of any other PRC subsidiaries of our Group according to the relevant industrial and commerce archives. As such, our PRC Legal Advisers take the view that Mr. Hon's involvement in the management of our Group's PRC subsidiaries other than Guangdong Gudou between 2 January 2007 and 2 January 2010 does not constitute a breach of the relevant PRC laws, rules and regulations. PRC laws and regulations do not have any

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mandatory provisions that prohibit Mr. Hon to act as the director of our Company which is not a PRC company. More importantly, our PRC Legal Advisers take the view that, considering the prohibition under the Provisions as more particularly set out above, as Guangzhou Jingteng's business license was revoked more than three years ago, Mr. Hon is currently qualified to act as a director of a PRC company despite the Breach.

Mr. Hon is the father of Mr. K. F. Hon.

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

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

NON-EXECUTIVE DIRECTORS

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

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

Mr. HUI Chin Tong Godfrey (許展堂), aged 56, is our non-executive Director. Mr. Hui joined our Group in September 2014. He has been an independent non-executive director of Vinda International Holdings Limited (stock code: 3331) (a manufacturer and seller of household paper products and personal care products in the PRC), a company listed on the Main Board of the Stock Exchange, ("Vinda") since 2007. He has since resigned as an independent non-executive director with effect from 16 October 2015 and now serves as consultant to the board of directors

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of Vinda. Mr. Hui obtained his bachelor's degree in business administration from The Chinese University of Hong Kong in December 1983 and a master's degree in business administration (investment and finance) from the University of Hull in December 1994.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

Other major work experience of Mr. Wu includes:

<u>Name of entity</u>	<u>Principal business activities</u>	<u>Period of service</u>	<u>Position and main responsibilities</u>
Sembawang Engineers and Constructors Pte. Ltd.	Engineering and construction	2009 to 2014	Corporate affairs director, responsible for all corporate and administration matters in Hong Kong and Macau
Studio City Developments Limited	Operation of Studio City Macau, an integrated casino resort	2007 to 2009	Senior vice president — construction, responsible for construction, engineering and commercial activities of Studio City, Macau
Paul Y. Engineering Group Limited	Construction contractor	2006 to 2007	Project director, responsible for managing major projects

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

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

Other major work experience of Mr. Chiu includes:

Name of entity	Principal business activities	Period of service	Position and main responsibilities
Lixin C.P.A. Limited	Provision of corporate advisory, accounting, auditing, taxation, and company secretarial services	May 2002 to present	Co-founder and director, mainly responsible for the setting up of overall strategic/development plans and overseeing the operation and management of the firm
The Po Leung Kuk	Hong Kong social service organisation and fundraiser	November 1990 to March 1991	Internal auditor, mainly responsible for the internal audits by the independent audit committee of The Po Leung Kuk
KPMG	Provision of audit, tax and advisory services	August 1986 to October 1990	Various positions including supervisor, senior-in-charge of large or small audits, including audit of group companies

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

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

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Other major work experience of Prof. Wang includes:

Name of entity	Principal business activities	Period of service	Position and main responsibilities
Tourism Research Centre, Shanghai Academy of Social Sciences (上海社會科學院旅遊研究中心)	Tourism resource development, research in tourism management, consultancy services, professional training and information exchange, such as the publication of World of Hotels & Restaurants (《飯店世界》) and hosting tourism planning and development projects	August 1993 to present	Director, qualified researcher and editor-in-chief of World of Hotels & Restaurants (《飯店世界》)
China and Overseas Travel Culture Association, Tourism Planning Branch* (中外旅遊文化協會旅遊規劃分會)	An association of experts, entrepreneurs, artists, government officials and community leaders formed to promote the integration between tourism and cultural and creative industries	January 2011 to present	President

Save as disclosed above, there is no other information relating to our Directors that needs to be disclosed under the requirements under Rule 17.50(2) of the GEM Listing Rules.

Save as disclosed above, none of our Directors:

- (i) held any other positions in our Company or other members of our Group as of the Latest Practicable Date;
- (ii) had any other relationship with any Directors, senior management or substantial shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date; and
- (iii) held any other directorships in listed companies in the three years prior to the Latest Practicable Date.

Except for such interests of the executive Directors in the Shares which are disclosed in the section headed “Controlling and substantial shareholders — Substantial shareholders” and the paragraph headed “C. Further information about Directors and substantial Shareholders — 1. Disclosure of interests” in Appendix V to this prospectus, none of our Directors has any interest in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company.

Each of our Directors has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules as of the Latest Practicable Date.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets forth certain information in respect of the senior management of our Group:

Name	Age	Time of joining our Group	Position	Principal role and responsibilities
Ms. Chan Sin Ling (陳善鈴)	36	January 2014	Chief financial officer and company secretary	Financial management and corporate governance
Mr. Wang Jun (王俊)	39	July 2010	Financial controller and vice president of Guangdong Gudou	Financial, taxation and financial planning arrangements of our Group
Mr. Liang Juquan (梁鉅泉)	43	October 2002	Vice president of Guangdong Gudou	Development and sales of our Group's tourism property operation and assisting our chairman in liaising with governmental administrative departments
Ms. Mai Cuilan (麥翠蘭)	36	October 2001	Deputy general manager of Jiangmen Gudou Management	Sales and marketing of our hot spring resort business
Mr. He Yingquan (何英權)	54	September 2010	Deputy general manager of Jiangmen Gudou Management	Operation and management of our hot spring resort and hotel operations

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

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. LIANG Juquan (梁鉅泉), aged 43, is the vice president of Guangdong Gudou. Mr. Liang joined our Group in October 2002. Mr. Liang was promoted progressively over the years to the vice president of Guangdong Gudou in January 2015 and is mainly responsible for the development and sales of our Group's tourism property development operation and assisting our chairman in liaising with governmental administrative departments. Mr. Liang graduated from Jiangmen City Xinhui District Technical Secondary School* (江門市新會區中等專業學校) in the PRC with a diploma in marketing in July 2001. Mr. Liang has been a qualified construction management assistant engineer* (建築工程管理助理工程師) since December 2014 as certified by the Jiangmen City Xinhui District Human Resources and Social Security Bureau* (江門市科學技術委員會). He completed a training course on the real estate development statistical reporting system* (房地產開發統計報表制度課程) provided by Guangdong Real Estate Association (廣東省房地產行業協會) in November 2007.

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

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

Save as disclosed above, none of our senior management has held any directorships in any listed companies in the three years preceding the Latest Practicable Date.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPANY SECRETARY

Ms. Chan Sin Ling (陳善鈴), aged 36, was appointed as the company secretary of our Company on 13 February 2015. Ms. Chan is ordinarily resident in Hong Kong. Please refer to the paragraph headed “Senior management” in this section for details of her qualification and experience.

COMPLIANCE OFFICER

Ms. Zhen Yaman (甄雅曼), aged 37, who is our executive Director, is the compliance officer of our Company. Please refer to the paragraph headed “Executive Directors” in this section for details of her qualifications and experience.

BOARD COMMITTEES

We have established the following committees in our Board, of which the operation is in accordance with terms of reference established by our Board:

Audit committee

We established an audit committee on 18 November 2016 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee are to, among other things, review and approve our Group’s financial reporting process and internal control and risk management system, oversee our audit process and perform other duties and responsibilities as assigned by our Board. The audit committee consists of three independent non-executive Directors, being Mr. Chiu Chi Wing, Mr. Wu Sai Him and Prof. Wang Dawu. Mr. Chiu Chi Wing, who holds the appropriate professional qualification as required under Rules 5.05(2) and 5.29 of the GEM Listing Rules, is the chairman of the audit committee.

Remuneration committee

We established a remuneration committee on 18 November 2016 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the remuneration committee are to, among other things, formulate our remuneration policy, review and determine the terms of remuneration packages of our Directors and senior management and review and approve performance-based remuneration with reference to our corporate goals and objectives resolved by our Board from time to time. The remuneration committee consists of three independent non-executive Directors, being Mr. Chiu Chi Wing, Mr. Wu Sai Him and Prof. Wang Dawu. Mr. Wu Sai Him is the chairman of the remuneration committee.

Nomination committee

We established a nomination committee on 18 November 2016 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the nomination committee are to, among other things, formulate our nomination policy and make recommendations to any proposed changes to our Board. The nomination committee consists of three independent non-executive Directors, being Mr. Chiu Chi Wing, Mr. Wu Sai Him and Prof. Wang Dawu. Mr. Wu Sai Him is the chairman of the nomination committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Compliance Committee

We established a compliance committee on 18 November 2016 with written terms of reference to monitor and oversee the compliance related matters of our Group. The primary duties of the compliance committee are to, among other things, conduct on-going assessments in response to new legal and regulatory requirements, update compliance and internal control procedures and oversee their implementation from time to time. The compliance committee comprises Ms. Zhen Yaman (our executive Director and compliance officer), Mr. Huang Zhanxiong (our executive Director), Ms. Chan Sin Ling (our chief financial officer and company secretary) and Mr. Li Yanan (our PRC legal consultant). Ms. Zhen Yaman is the chairlady of the compliance committee. Please refer to the sub-section headed “Business — Risk Management and Internal Control — Our policies and procedures” in this prospectus for further details of our compliance committee.

DIRECTORS’ AND SENIOR MANAGEMENT’S REMUNERATION

During the Track Record Period, the aggregate of the remuneration paid and benefits in kind granted to our Directors by any member of our Group were approximately RMB317,000, RMB599,000 and RMB244,000 respectively.

The remuneration of each Director is determined by reference to market terms, seniority, experiences, duties and responsibilities within our Group. Our Directors are entitled to statutory benefits as required by law from time to time.

No Director has been paid in cash or shares or otherwise by any person either to induce him to become, or to qualify him as a Director, or otherwise for service rendered by him in connection with the promotion or formation of our Company.

The aggregate amount of the remuneration, including salaries, discretionary bonus, defined contribution benefit plans (including pension) and other benefits-in-kind, paid to the five highest paid individuals of our Company (excluding the Directors among the five highest paid individuals) for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016 were approximately RMB1.3 million, RMB1.3 million and RMB0.6 million, respectively.

No remuneration has been paid to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office during the Track Record Period. Further, none of our Directors had waived any remuneration during the same period.

EMPLOYEES’ BENEFITS PROVIDED BY OUR GROUP

Our Group complies in all material aspects with all statutory requirements on retirement contributions in the jurisdictions where our Group operates.

Our Group has established various welfare plans including the provision of pension insurance, medical insurance, unemployment insurance, work related injury insurance, maternity insurance, social welfare and housing provident fund for employees who are employed by our Group pursuant to the PRC rules and regulations and the existing policy requirements of the local government.

In Hong Kong, our Group has participated in a mandatory provident fund scheme for our employees in Hong Kong in accordance with the applicable Hong Kong laws and regulations.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SHARE OPTION SCHEME

Our Company has conditionally adopted a Share Option Scheme pursuant to which selected participants may be granted options to subscribe for shares as incentives or rewards for their service rendered to our Group and any entity in which any member of our Group holds any equity interest. Our Directors believe that the implementation of the Share Option Scheme enables our Group to recruit and retain high calibre executives and employees. The principal terms of the Share Option Scheme are summarised under the paragraph headed “D. Other information — 1. Share Option Scheme” in Appendix V to this prospectus.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, we have appointed Celestial Capital Limited as our compliance adviser, who will have access to all relevant records and information relating to us as it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise us on the following circumstances:

- i. before the publication of any announcements, circulars or financial reports;
- ii. where a transaction, which might be a notifiable transaction or connected transaction as defined in Chapters 19 and 20 of the GEM Listing Rules, is contemplated, including share issues and share repurchases;
- iii. where we propose to use the proceeds of the Placing in a manner different from that detailed in this prospectus or if our Company’s business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- iv. if the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date.

CONTROLLING AND SUBSTANTIAL SHAREHOLDERS

CONTROLLING SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Placing and the Capitalisation Issue (without taking into account any Share which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any option which may be granted under the Share Option Scheme), Mr. Hon and Harvest Talent can exercise or are entitled to exercise 30% or more of the voting power at the general meetings of our Company respectively and are therefore regarded as Controlling Shareholders under the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Placing and the Capitalisation Issue (without taking into account any Share which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any option which may be granted under the Share Option Scheme), the following persons/entities will have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the issued voting Shares of our Company or any other member of our Group:

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

CONTROLLING AND SUBSTANTIAL SHAREHOLDERS

Notes:

1. The letter “L” denotes the person’s long position in the Shares.
2. Harvest Talent is beneficially and wholly-owned by Mr. Hon, our executive Director. By virtue of the SFO, Mr. Hon is deemed to be interested in all the Shares held by Harvest Talent. Mr. Hon is also the sole director of Harvest Talent.
3. By virtue of the SFO, Mrs. Hon, the spouse of Mr. Hon, is deemed to be interested in all the Shares in which Mr. Hon is interested.
4. These Shares are registered in the name of DF Tourism as the nominee of Dynasty Fortune. DF Tourism is wholly-owned by Dynasty Fortune.
5. Dynasty Fortune is beneficially and wholly-owned by Mr. Hui Chin Tong Godfrey, our non-executive Director. By virtue of the SFO, Mr. Hui Chin Tong Godfrey is deemed to be interested in all the Shares beneficially owned by Dynasty Fortune. Mr. Hui Chin Tong Godfrey is also a director of Dynasty Fortune and DF Tourism.
6. These Shares are registered in the name of Wealth Promise as the nominee of Fu An. Wealth Promise Holdings Limited is wholly-owned by Fu An.
7. Fu An is beneficially owned as to 74.21% by Mr. Li Chao Wang. By virtue of the SFO, Mr. Li Chao Wang is deemed to be interested in all the Shares owned by Fu An. Mr. Li Chao Wang is also deemed to be interested in all the Shares beneficially owned by Grand Luck, namely 37,500,000 Shares, by virtue of the SFO, as he beneficially owns the entire issued share capital of Grand Luck. Accordingly, Mr. Li Chao Wang is deemed to be interested in a total of 97,500,000 Shares under the SFO.
8. By virtue of the SFO, Ms. Song Min, the spouse of Mr. Li Chao Wang, is deemed to be interested in all the Shares in which Mr. Li Chao Wang is interested.

Save as disclosed in this prospectus, our Directors are not aware of any person who will or any entity which will, immediately following the completion of the Placing and the Capitalisation Issue (without taking into account any Share which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any option which may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the issued voting Shares of our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

UNDERTAKINGS

Each of our Company and our Controlling Shareholders has given certain undertakings in respect of our Shares to our Company, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers, details of which are set out under the section headed “Placing — Undertakings” of this prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Upon completion of the Placing and the Capitalisation Issue, Mr. Hon, through Harvest Talent, will be beneficially interested in 54.34% of the issued share capital of our Company (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any option which may be granted under the Share Option Scheme), and hence Mr. Hon and Harvest Talent, who can exercise or are entitled to exercise 30% or more of the voting power at general meetings of our Company respectively, are our Controlling Shareholders.

Mr. Hon is our founder, chairman, chief executive officer and executive Director. For more details on the biographical information and experience of Mr. Hon, please refer to the section headed “Directors, senior management and employees — Executive Directors” of this prospectus. Harvest Talent is an investment holding company wholly-owned by Mr. Hon, which has no business interest apart from its shareholding in our Group and of which Mr. Hon is the sole director.

NON-COMPETITION UNDERTAKING

Our Controlling Shareholders entered into the Non-competition Undertaking, pursuant to which each of our Controlling Shareholders has irrevocably and unconditionally undertaken to our Company (for ourselves and for the benefit of each of our subsidiaries from time to time) that with effect from the Listing Date and for so long as the Shares remain listed on the Stock Exchange and our Controlling Shareholders, whether individually or taken together, are interested directly or indirectly in 30% or more of the issued share capital of our Company, each of them will not, and will procure that its close associates (other than our Group) will not, on its own account or with each other or in conjunction with or on behalf of any person, firm or company, carry on or be engaged in, concerned with or interested in, directly or indirectly, whether as a shareholder (other than being a director or a shareholder of our Group or our associated companies), director, employee, partner, agent or otherwise in any business that compete or may compete, directly or indirectly or through nominees, with the business carried out by our Group from time to time (the “**Restricted Activity**”) in the territories in which our Group carries out the Restricted Activity.

The undertaking set out above shall not prevent any of the Controlling Shareholders from acquiring a direct or an indirect shareholding interest or interest in other securities of not more than 5% (individually or taken together with their respective close associates) in a company listed on a recognised stock exchange anywhere in the world and engaged in any Restricted Activity.

If any of the Controlling Shareholders and/or his/its close associates is offered or otherwise intends to take up any business opportunity which directly or indirectly engages in or owns the Restricted Activity (the “**New Business Opportunity**”):

- (a) he/it shall within 10 business days of being offered or otherwise intending to take up such New Business Opportunity, notify our Company of such New Business Opportunity and refer the same to our Company for consideration, and shall provide the relevant information to our Company as we may require in order to enable us to make an informed assessment of such opportunity; and
- (b) he/it shall not, and shall procure that his/its close associates (other than our Group) not to, invest or participate in any project or New Business Opportunity, unless such project or New Business Opportunity shall have been rejected by our Company and the principal terms of which the relevant Controlling Shareholder or his/its close associates (other than our Group) invest or participate in are no more favourable than those notified to our Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Any Director who has any direct or indirect material interest in the New Business Opportunity shall abstain from attending (unless his/her attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not be counted towards the quorum for, any board meeting convened to consider such New Business Opportunity.

Our Board (including the independent non-executive Directors) will be responsible for reviewing and considering whether or not to take up a New Business Opportunity notified by a Controlling Shareholder or whether or not the New Business Opportunity constitutes competition with the Restricted Activity. When making the decision, our Board shall consider, among other factors:

- (i) the financial impact of pursuing the New Business Opportunity;
- (ii) whether the nature of the New Business Opportunity is consistent with our Group's strategies and development plans;
- (iii) general market conditions in the industry;
- (iv) advice from independent financial advisers, should the appointment of which be deemed necessary by the Directors; and
- (v) interest of our Company and all Shareholders as a whole.

Expiry

The non-competition undertaking by our Controlling Shareholders under the Non-competition Undertaking shall expire upon expiry of the Restricted Period (as defined below).

For the above purpose, the “**Restricted Period**” means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

- (a) the date on which the Controlling Shareholders and their respective close associates legally and beneficially cease to be the controlling shareholders of our Company for the purpose of the GEM Listing Rules; and
- (b) the date on which the Shares cease to be listed on the Stock Exchange.

The Controlling Shareholders have undertaken under the Non-competition Undertaking that they shall provide to our Company and the Directors (including the independent non-executive Directors) from time to time all information necessary for the annual review by the independent non-executive Directors with regard to compliance with the terms of the Non-competition Undertaking during the Restricted Period by the Controlling Shareholders. The Controlling Shareholders have also undertaken to make an annual declaration as to compliance with the terms of the Non-competition Undertaking during the Restricted Period in our Company's annual report.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen the corporate governance practice and to safeguard the interests of the Shareholders:

- (i) the Articles provide that except for a few exceptions set out in Note 5 to Appendix 3 of the GEM Listing Rules, a Director shall not vote nor shall he/she be counted in the quorum on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested;
- (ii) the independent non-executive Directors will review, on an annual basis, the compliance with the Non-competition Undertaking by the Controlling Shareholders;
- (iii) the Controlling Shareholders undertake to provide, and to procure that his/its close associates shall, all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Non-competition Undertaking;
- (iv) our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Non-competition Undertaking of the Controlling Shareholders in the annual reports of our Company; and
- (v) the Controlling Shareholders will make an annual declaration on compliance with the Non-competition Undertaking in the annual report of our Company.

With the measures set out above, the Directors believe that the interest of the Shareholders will be protected.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, our Directors believe that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates after the Listing.

Management independence

Our Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors.

Each of our Directors is aware of his fiduciary duties as a director of our Company which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. If there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, our Group has an independent senior management team to carry out the business decisions of our Group independently and our independent non-executive Directors will bring independent judgement to the decision-making process of our Board.

Having considered the above factors, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial roles in our Group independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders (including their respective close associates) after the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational independence

Our Group has established its own set of organisation structure made up of individual departments, each with specific areas of responsibilities. Our Group has independent access to sources of supplies as well as customers. Our Group holds all relevant licences necessary to carry on our business. We have sufficient capital and full control over our major assets to continue our business independently of our Controlling Shareholders and their respective close associate. We do not rely on our Controlling Shareholders for any material amount of our revenue, staffing or marketing. We have also established a set of internal controls to facilitate the effective operation of our business.

Financial independence

As at 31 May 2016, Mr. Hon and Mrs. Hon had provided personal guarantees and had pledged certain properties owned by them to secure certain of our bank borrowings which amounted to approximately RMB17.2 million in aggregate, such loans accounted for approximately 4.3% of the total outstanding loans. Our Group had received letter from the lending bank in respect of the aforesaid bank loan that all guarantees provided by Mr. Hon and Mrs. Hon and the charges on properties owned by them will be fully released upon Listing. As at 31 May 2016, Mr. Hon had also provided a personal guarantee to secure a bank borrowing of our Group which amounted to approximately RMB60.5 million. Our Group had received confirmation from the lending bank in respect of the aforesaid bank borrowing that the guarantee by Mr. Hon will be released upon Listing.

Upon the release of the guarantees and pledges by Mr. Hon and Mrs. Hon mentioned above, our total bank and other borrowings without security given by our Controlling Shareholder and its close associates amounted to approximately RMB400.0 million. We believe we are capable of obtaining financing and credit facilities from financial institutions on a stand-alone basis.

Our Group had also obtained loans in an aggregate principal amount of approximately HK\$60.0 million from our shareholders, namely Fu An and Dynasty Fortune. Such loans are secured by guarantees given by Mr. Hon and our Company as guarantors and the guarantees given by Mr. Hon in respect of the loans from Fu An and Dynasty Fortune shall be released immediately before the Listing. Our Directors confirm that we will repay such loans in full upon the Listing with part of the proceeds from the Placing.

We are financially independent of our Controlling Shareholders and their close associates. As disclosed above, all loans, advances and balances due to and from our Controlling Shareholders and their respective close associates and guarantees provided by our Controlling Shareholders and their respective close associates on our Group's borrowings are expected to be fully released prior to or upon Listing. In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing.

RULE 11.04 OF THE GEM LISTING RULES

As at the Latest Practicable Date, none of our Controlling Shareholders, our substantial Shareholders, our Directors and their respective close associates has any interest in a business apart from our business which competes or is likely to compete, directly or indirectly, with our business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following completion of the Placing (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any option which may be granted under the Share Option Scheme) and the Capitalisation Issue:

		Nominal value <i>HK\$</i>
Authorised share capital:		
10,000,000,000	Shares	100,000,000
		Nominal value <i>HK\$</i>
Issued and to be issued, fully paid or credited as fully paid:		
38,000,000	Shares in issue as at the date of this prospectus	380,000
712,000,000	Shares to be issued pursuant to the Capitalisation Issue	7,120,000
230,000,000	Shares to be issued pursuant to the Placing	<u>2,300,000</u>
980,000,000	Total	<u><u>9,800,000</u></u>

ASSUMPTIONS

The above table assumes that the Placing becomes unconditional and the issuance of Shares pursuant to the Placing are made as described herein. It does not take into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any option which may be granted under the Share Option Scheme or any Share which may be allotted and issued or repurchased pursuant to the general mandate given to the Directors for allotment and issuance of Shares described in the paragraph headed “General mandate to issue Shares” in this section or the repurchase mandate described in the paragraph headed “General mandate to repurchase Shares” in this section, as the case may be.

RANKING

The Placing Shares will be ordinary shares in the share capital of our Company and will rank equally in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Assuming the Placing becomes unconditional, our Directors will be granted a general mandate to allot, issue and deal with Shares not exceeding:

- (a) 20% of the aggregate number of issued Shares of our Company immediately following the completion of the Placing and the Capitalisation Issue (excluding any Share which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any option which may be granted under the Share Option Scheme); and
- (b) the total number of issued Shares repurchased by us under the mandate as mentioned in the paragraph headed “General mandate to repurchase Shares” below.

The general mandate is in addition to the powers of our Directors to allot, issue or deal with Shares under any rights issue, scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend in accordance with our Articles of Association, or pursuant to the exercise of any subscription rights attached to any warrants which may be issued by us from time to time, or upon the exercise of the Over-allotment Option or the Capitalisation Issue. The general mandate does not include any Share which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any option which may be granted under the Share Option Scheme.

This general mandate to issue Shares will remain in effect until the earliest of:

- the conclusion of our Company’s next annual general meeting;
- the expiration of the period within which our Company is required by any applicable laws of the Cayman Islands or our Articles to hold its next annual general meeting; or
- the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

Particulars of this general mandate to allot, issue and deal with Shares are set out under the sub-section headed “A. Further information about our Group — 3. Resolutions in writing of our Shareholders passed on 18 November 2016” in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed “Structure and conditions of the Placing” of this prospectus, our Directors will be granted a general mandate to exercise all our powers to repurchase Shares which represent up to 10% of the aggregate number of issued Shares of our Company immediately following the completion of the Placing and the Capitalisation Issue, excluding any Share which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any option which may be granted under the Share Option Scheme.

SHARE CAPITAL

This general mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “A. Further information about our Group — 7. Repurchases of our Shares” in Appendix V to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- the conclusion of our Company’s next annual general meeting;
- the expiration of the period within which our Company is required by any applicable laws of the Cayman Islands or our Articles to hold its next annual general meeting; or
- the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

SHARE OPTION SCHEME

On 18 November 2016, we conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme are set out under the section headed “D. Other information — 1. Share Option Scheme” in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS REQUIRED

The circumstances under which general meeting is required are provided in the Articles, the summary of which is set out in Appendix IV to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our audited consolidated financial statements for each of the two years ended 31 December 2015 and the five months ended 31 May 2016 together with the accompanying notes, set out in the Accountant’s Report included as Appendix I to this prospectus. Our consolidated financial statements have been prepared in accordance with HKFRSs. You should read the Accountant’s Report in Appendix I to this prospectus and not rely merely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by our Company in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that it believes are appropriate under the circumstances. However, whether actual outcome and developments will meet the expectations and predictions of our Company depends on a number of factors over which our Company has no control. Factors that could cause or contribute to such differences included those discussed in the sections headed “Forward-looking statements”, “Risk factors” and “Business” as well as those discussed elsewhere of this prospectus.

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a hot spring resort and hotel operator and a tourism property developer in the PRC, and (i) operate and manage *Gudou Hot Spring Resort*; and (ii) develop and sell tourism properties located at our *Gudou Hot Spring Resort*.

BASIS OF PRESENTATION

The companies now comprising our Group are under the common control of the Controlling Shareholders. Pursuant to the Reorganisation, our Company acquired the entire interests of View Top and its subsidiaries on 11 September 2014 by way of swap of shares, and our Company became the holding company of our Group. The Reorganisation is more fully explained in the section headed “History, reorganisation and group structure” of this prospectus. Our Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of our business with no change in management of such business and the ultimate owners of our Company, View Top and its subsidiaries remain the same. Accordingly, our Group resulting from the Reorganisation is regarded as a continuation of the business under View Top and the financial information has been prepared and presented as a continuation of the consolidated financial statements of View Top and its subsidiaries, with the assets and liabilities of our Group recognised and measured at the carrying amounts of the business under the consolidated financial statements of View Top for all periods presented.

FINANCIAL INFORMATION

Our financial information have been prepared in accordance with HKFRSs issued by the HKICPA. During the Track Record Period, we have adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to our operations and effective for the financial year beginning on or after 1 January 2014.

KEY FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations have been and are expected to be continuously affected by a number of principal factors as described below:

General economic condition and discretionary consumer spending

Our hot spring resort and hotel operations depend on a significant extent on discretionary consumer spending, which are heavily influenced by general economic conditions and the availability of discretionary income. An economic downturn in the PRC, in particular, the Guangdong Province and immediate adjacent provinces, could have an adverse effect on consumer confidence and spending, which may adversely affect attendance and spending patterns and levels at our *Gudou Hot Spring Resort*. Both attendance and spending patterns and levels at our *Gudou Hot Spring Resort* are two of the most important key drivers of our revenue from hot spring resort and hotel operations, and reductions in either can materially and adversely affect our business, financial condition and results of operations.

Our tourism property development business and its prospects depend on the performance of the tourism real estate market of the PRC, which in turn are primarily influenced by the urbanisation of the PRC resident population and the consumer spending patterns and levels as driven by the general economic conditions in the PRC as well as the development of the infrastructure network. Economic growth generally boosts the level of disposable income and the number of middle to upper-middle income households in the PRC, driving spending power and confidence as well as concomitant urbanisation, which as a result contributed to an increasing property pricing trend. Therefore, an economic downturn in the PRC will likely result in an property market downturn in the PRC. Any property market downturn in the PRC, in particular, the Guangdong Province and immediate adjacent provinces may result in a decline in property sales and prices in Jiangmen City, which could adversely affect our property development and thus our business, results of operations and financial condition.

FINANCIAL INFORMATION

Revenue mix

We generate revenue primarily from two major business segments, namely hot spring resort and hotel operations, and tourism property development. Revenue from hot spring resort and hotel operations, and tourism property development accounted for approximately 46.7%, 48.6%, 64.3% and 83.9%, and approximately 53.3%, 51.4%, 35.7% and 16.1%, of our total revenue for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively. Revenue from hot spring resort and hotel operations mainly comprises Room Revenue, catering income and admission income. These items are driven by attendance in our hot spring resort, accommodation service and admission pricing and the spending patterns and levels, which as disclosed earlier is in turn affected by the general economic conditions in the PRC. Revenue from our tourism property development comprises mainly revenue from property sales which tends to fluctuate from period to period due to variations in the amount of GFA delivered and the average selling prices of these tourism properties, which are mainly affected by our construction timetable and the tourism real estate market conditions. More particularly, our average selling price is also affected by the type, size and timing of the tourism property sold and delivered, our marketing strategies adopted, and our target customers. Periods in which we deliver more GFA or in which more tourism properties are sold and delivered at higher average selling prices typically generate more revenue from tourism property sales, and therefore account for a larger percentage of our total revenue.

All of our tourism properties developed or under development are situated at our *Gudou Hot Spring Resort*. We develop integrated tourism and leisure projects comprising of hot spring resort together with ancillary tourism properties with a view to achieving synergy between our hot spring resort and hotel operations, and tourism property development, generating an optimal mix of income from selling, leasing and operating the properties. The construction timetable of our tourism properties therefore sometimes depends on our business plan in relation to our hot spring resort and hotel operations and the tourism market conditions, and additionally is subject to various factors such as weather, approval progress and third party contractors' work schedules, some of which are beyond our control. Accordingly, the general economic condition, and the corresponding tourism and tourism real estate market conditions, our hot spring resort and hotel operations business plan, as well as, uncontrollable factors such as weather may have an impact on our revenue mix. A change of our revenue mix may cause fluctuation of our results of operations.

Yet importantly, given the stable performance of both arms of our business during the Track Record Period, our track record in conducting both hot spring resort and hotel operations, and tourism property development business, and a relatively large amount of land reserves for future development and for investment in both segments (as at 30 September 2016, our owned land held for future development and for investment spanned a site area of approximately 234,328 sq.m. and 83,788 sq.m., representing approximately 36.1% and 12.9% of the total site area of our *Gudou Hot Spring Resort*), any change of our revenue mix does not represent our shift of business focus. Both our hot spring resort and hotel operations, and tourism property development will remain as our primary arms of business despite any change of revenue mix or any impact such change has on our results of operations.

FINANCIAL INFORMATION

Seasonality

Operations at our *Gudou Hot Spring Resort* are seasonal in nature. We have historically experienced, and expect to continue to experience, seasonal fluctuations in respect of attendance and revenue. During the Track Record Period, we derived more revenue from our hot spring resort and hotel operations in the first and fourth quarters of a year due to the winter season and certain holiday periods such as National Day and Lunar New Year. The following table demonstrates the quarterly operational and financial performance of our hot spring resort and hotel operations by revenue, segment profit/(loss), average hotel room occupancy rates and hot spring admission revenue during the Track Record Period:

	Revenue attributable to our hot spring resort and hotel operations <i>RMB'000</i>	Segment profit/(loss) attributable to our hot spring resort and hotel operations <i>RMB'000</i>	Average occupancy rate of our themed hotel complexes	Revenue attributable to admission of our <i>Gudou Hot Spring Valley</i> <i>RMB'000</i>
2014				
1st quarter	28,204	5,741	57%	4,144
2nd quarter	15,174	(3,441)	37%	2,505
3rd quarter	20,910	(1,331)	54%	2,653
4th quarter	32,072	7,340	69%	4,125
Sub-total		8,309		
Inter-segment sales		151		
Fair value change attributable to our hot spring resort and hotel operations		25,925		
Total	96,360	34,385		13,427
2015				
1st quarter	30,391	4,728	62%	4,593
2nd quarter	13,129	(8,785)	32%	2,354
3rd quarter	20,547	(3,150)	55%	2,919
4th quarter	34,215	8,042	68%	6,603
Sub-total		835		
Fair value change attributable to our hot spring resort and hotel operations		9,542		
Total	98,282	10,377		16,469
2016				
1st quarter (<i>Note</i>)	35,102	7,296	60%	6,358

Note: As the segment profit shown in the Accountants' Report set out in Appendix I to this prospectus covers a period for the first five months of 2016, no reconciliation is applicable for results in the first quarter of 2016.

FINANCIAL INFORMATION

On the other hand, a significant portion of the expenses relating to our hot spring resort and hotel operations are fixed in nature and do not vary significantly with attendance such as expenses for the daily operation of our restaurants, hot spring and catering facilities, maintenance, utilities, advertising and insurance costs. As a result, at periods where our revenue attributable to our hot spring resort and hotel operations is relatively low due to seasonality, we may not be able to reduce these fixed costs at the same rate. The seasonality may therefore have an adverse effect on our cash flow and financial position at particular point of time in a financial year.

There is also a tendency of higher sales of tourism properties in the fourth quarter mainly attributable to the higher number of attendees at *Gudou Hot Spring Resort* during the peak season, which helps promote property sales. For the years ended 31 December 2014 and 2015, approximately 80.1% and 55.7% of our total contracted sales of tourism properties were recorded in the fourth quarter of the corresponding year, respectively.

Room rates and occupancy trends

The results of our hot spring resort and hotel operations are dependent on room rates and occupancy trends. Room rates and occupancy rates of our *Gudou Hot Spring Resort* are influenced by a number of factors, such as room rates of our competitors, availability and supply of hotel rooms in the hot spring resort market in the region, market demand, the quality of the services provided, hotel trends and general economic conditions. Please refer to the paragraph headed “General economic condition and discretionary consumer spending” of this section for details on how attendance and market demand are affected by general economic conditions.

Development cycle of our property development projects

Our results of operations, cash flows and financial position are significantly affected by the development cycle of our tourism property development projects. Revenue from the sale of our tourism properties is recognised upon delivery of units to our customers while current liabilities are recognised when proceeds from our customers in relation to pre-sale of properties are received. Given that considerable amount of cash is involved in the purchase of these units, the timing of each step of our development cycle and the timely completion and delivery of properties to purchasers in accordance with our schedule is critical to our results of operations. Any deviation in terms of the timing will have a significant effect upon our results of operations.

Accordingly, delay in construction and thus delivery of tourism properties to purchaser will likely have an adverse impact on our financial position and results of operations.

FINANCIAL INFORMATION

Regulatory measures in the PRC

Our hot spring resort and hotel operations have been, and will continue to be, affected by the policies and measures taken by the PRC government in respect of the hot spring and hotel and tourism-related industries. These policies and measures may influence our costs on compliance as well as our extent of operations, which in turn may have an impact on our results of operations. Additionally, our tourism property development has been and will continue to be affected by the policies and measures taken by the PRC government on the real estate industry. In recent years, the PRC government has implemented a series of measures with a view to controlling the growth of the PRC property markets. From time to time, the PRC government adjusts or introduces macroeconomic control policies to encourage or restrict development in residential real estate sector through regulating, among others, land grants, pre-sales of properties, availability of credit and bank financing, capital requirement of financial institutions and taxation. These regulatory movement has contributed to changes in market conditions, such as costs of development and sale and purchase, leading to a change of the balance of supply and demand and ultimately affecting the property pricing trend. Any change in the property pricing trend in general will have an impact on our tourism property construction timetable and our average selling prices, which will affect our property sales revenue and thus our results of operations. The PRC regulatory environment relating to both the hot spring and hotel industry and tourism real estate industry as well as the real estate market therefore has an impact on our business, financial condition and results of operations.

Fair value adjustments of investment properties

After initial recognition, our investment properties are stated at their fair value on our consolidated statements of financial position as non-current assets as at each reporting date based on valuations made by an external independent property valuer. Gains or losses arising from changes in the fair value of our investment properties are accounted for as gains or losses in our consolidated statements of profit or loss and other comprehensive income, which may have a substantial effect on our profits. The property valuation involves the exercise of professional judgment with the use of certain bases and assumptions. The fair value of our investment properties amounted to approximately RMB552.5 million, RMB574.6 million and RMB544.3 million as at 31 December 2014 and 2015 and 31 May 2016, respectively. We recorded fair value gains on our investment properties of approximately RMB59.1 million, RMB21.3 million and RMB9.6 million for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016, respectively. The fair value of our investment properties, as so determined at a particular date, may have been higher or lower if the valuer used a different set of bases or assumptions; or if the valuation was conducted by another qualified independent professional valuer using a different set of bases and assumptions. In addition, upward revaluation adjustments reflect unrealised capital gains on our investment properties as at the relevant reporting dates and do not generate any cash inflow. The amounts of fair value adjustments have been, and may continue to be, significantly affected by the prevailing property market conditions in the PRC and may increase or decrease. We cannot assure that similar levels at any fair value gains we recognised with respect to our investment properties during the Track Record Period can be sustained in the future. Any change in the accounting policy or property valuation means will have an impact on our financial position and results of operations. Please refer to the sub-sections headed “Critical accounting policies and estimates — Characteristics of investment properties” and “Description and discussion of the major components of the consolidated statements of profit or loss and other comprehensive income — Fair value gains on investment properties” in this section for further discussion.

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Fluctuations in development costs

A significant portion of our cost of sales goes to the cost of tourism property development, which mainly comprises our payments to our contractors (principally covering construction costs and renovation costs). Any increase in our construction costs and renovation costs resulting in an increase in our contractors' charges will therefore affect our cost of sales and the overall tourism property development costs. Our gross profit margins may be adversely affected if we cannot pass on any resulting increase in tourism property development costs to our customers by way of increasing the price of our tourism properties. In addition, as we typically pre-sell our properties before their completion, we may be unable to pass on any increase in costs to our customers if the project development costs increase after such pre-sale. Our gross profit margins may again be adversely affected as a result.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates refer to those accounting policies and estimates that entail significant uncertainty and judgment, and could yield to materially different results under different conditions and/or assumptions. The preparation of the financial information in conformity with HKFRSs requires our management to make judgments, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The methods and approaches that we use in determining these items are based on our experience, the nature of our business operations, the relevant rules and regulations and the relevant circumstances. These underlying assumptions and estimates are reviewed regularly as they may have significant impacts on our operational results as reported in our consolidated financial statements included elsewhere in this prospectus. We have not experienced any material deviation between our management's estimates and actual results and have not made material changes to these estimates during the Track Record Period. Our management does not expect any material changes in these estimates in the foreseeable future.

Below is a summary of the accounting policies in accordance with HKFRSs that we believe are important to the presentation of our financial results and involve the need to make estimates and judgments about the effect of matters that are inherently uncertain. We also have other policies, judgments, estimates and assumptions that we consider as significant, which are set out in details in notes 2 and 3 to the Accountant's Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to us and the amount of revenue can be measured reliably. Revenue is recognised as follows:

(i) Property sales

Revenue in respect of the sale of properties is recognised upon satisfying all of the criteria under HKAS 18. The following table shows the bases of satisfying such criteria:

Criteria for revenue recognition from sale of properties under HKAS 18	Bases of satisfying such criteria
The significant risks and rewards of ownership of the properties are transferred to the purchasers	<ul style="list-style-type: none">i. Completion of the sale and purchase agreements is not conditional upon transfer of ownership titlesii. Property purchasers may not unilaterally terminate the sale and purchase agreements after the delivery of the properties but before the transfer of ownership titles unless in the case of force majeure or where we are in breach of the relevant sale and purchase agreements. For instance, as advised by our PRC Legal Advisers, the court may grant a request by the property purchaser to terminate the sale and purchase agreement unilaterally if the purchaser is unable to complete the house ownership registration after more than one year following the deadline in respect of the manner in which the house ownership registration is handled as stipulated in the relevant sale and purchase agreement due to defaults on the part of the selleriii. Property purchasers shall be responsible for any loss or costs associated with the relevant property units during the period after the delivery of the properties and before the transfer of ownership titles

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	<p>iv. Notwithstanding the sale and purchase agreements do not specify the specific events or procedures which signify or constitute the completion of the delivery of properties, according to the Interpretation of the Supreme People’s Court on the Relevant Issues concerning the Application of Law for Trying Cases on Dispute over Contract for the Sale of Commodity Houses* (最高人民法院關於審理商品房買賣合同糾紛案件適用法律若干問題的解釋), the transfer of occupancy of a property is considered as the delivery for use of the property. The properties are delivered to the purchasers upon the signature of the purchasers on the certificate of property usage transfer, which is not conditional upon the submission of requisite materials for the issuance of building ownership certificates</p>
<p>Neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties is retained</p>	<p>i. According to the sale and purchase agreements, after the delivery of the relevant properties as specified in the agreements, except for the provisions of warranty for quality of the properties and the assistance in individual title registration and obtaining the relevant building ownership certificates, Guangdong Gudou, as the seller, has no further obligation for involvement in the properties</p> <p>ii. For some of the tourism properties in respect of which operation agreements were signed, Jiangmen Gudou Management, as the trustee, was entrusted to manage and operate them, and under which the ownership, rights for the sale and transfer of properties belong to the purchaser of the properties</p>
<p>The amount of revenue can be measured reliably</p>	<p>The amount of revenue was measured in accordance with the sales price under the sale and purchase agreement or such sales price adjusted by estimated rental costs. Please refer to the section headed “Business — Contractual Arrangement With Property Owners — Difference and accounting treatments of the contractual arrangements” of this prospectus for details of the measurement of amount of revenue</p>
<p>It is probable that the economic benefits associated with the transaction will flow to our Group</p>	<p>All the revenue attributable to our tourism properties were considered probable to flow to us at recognition as either i) the sales proceeds were received during the Track Record Period; or ii) the first installment was received and application of associated bank loan was successfully submitted</p>

FINANCIAL INFORMATION

The costs incurred or to be incurred in respect of the transaction can be measured reliably	The associated costs of the tourism properties were measured reliably by allocating the total development costs of the relevant tourism property projects
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Pursuant to paragraph 15 of HKAS 18, *“the assessment of when an entity has transferred the significant risks and rewards of ownership to the buyer requires an examination of the circumstances of the transaction.”* In the case of our property sales, our Directors consider the risks and rewards of ownership represent the risks of damage and destruction and the rights to occupy and use as well as the benefits arising from the property.

Pursuant to paragraph 16 of HKAS 18, *“If the entity retains significant risks of ownership, the transaction is not a sale and revenue is not recognised. An entity may retain a significant risk of ownership in a number of ways. Examples of situations in which the entity may retain the significant risks and rewards of ownership are:*

- (a) when the entity retains an obligation for unsatisfactory performance not covered by normal warranty provisions;*
- (b) when the receipt of the revenue from a particular sale is contingent on the derivation of revenue by the buyer from its sale of the goods;*
- (c) when the goods are shipped subject to installation and the installation is a significant part of the contract which has not yet been completed by the entity; and*
- (d) when the buyer has the right to rescind the purchase for a reason specified in the sales contract and the entity is uncertain about the probability of return.”*

Pursuant to paragraph 17 of HKAS 18, *“If an entity retains only an insignificant risk of ownership, the transaction is a sale and revenue is recognised. For example, a seller may retain the legal title to the goods solely to protect the collectibility of the amount due. In such a case, if the entity has transferred the significant risks and rewards of ownership, the transaction is a sale and revenue is recognised. Another example of an entity retaining only an insignificant risk of ownership may be a retail sale when a refund is offered if the customer is not satisfied. Revenue in such cases is recognised at the time of sale provided the seller can reliably estimate future returns and recognises a liability for returns based on previous experience and other relevant factors.”* Therefore, we consider the significant risks and rewards of ownership of the goods as transferred at delivery of the properties to the purchasers conforms with the requirement under paragraph 15 of HKAS 18 for the passing of possession to the buyer. It is also noted that HKAS 18 recognises that the *“transfer of the risks and rewards of ownership may occur at a different time from the transfer of legal title”*. In addition, based on paragraph 16 of HKAS 18, our Directors consider that no significant risks of ownership is retained as:

- a) we did not retain any obligation for unsatisfactory performance not covered by normal warranty provisions;

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- b) the sale is not contingent on the derivation of revenue by the purchaser from its sale of the properties;
- c) the properties are ready in use and not subject to any further installation; and
- d) the purchaser has the right to rescind the purchase only in the case of force majeure or where we are in breach of the relevant sale and purchase agreements.

We therefore only retain an insignificant risk of ownership in accordance with paragraph 16 of HKAS 18.

As advised by our PRC Legal Advisers, upon the transfer to the purchasers of the right to occupy in accordance with the sale and purchase agreements, notwithstanding that the ownership titles are not yet transferred, the properties are considered delivered to the purchasers who become legally entitled to occupy the properties pursuant to the PRC law. Accordingly, the purchasers, in the capacity as the legal occupants, have the rights to occupy and use and are entitled to the profits arising from the properties, and the risks relating to the properties, such as damage or destruction of the properties, are borne by the purchasers. Our PRC Legal Advisers advise that a legally valid sale and purchase agreement is a legal proof of the aforesaid occupation right upon the delivery of the property pursuant to the terms thereof and that the absence of ownership title of the property does not create an impediment to the conferment of entitlement to occupy and use as well as benefits arising from the property.

Under relevant PRC laws and regulations, completion of the sale and purchase agreements occurs upon the due performance of all obligations between the contracting parties as stipulated under the relevant agreements. As advised by our PRC Legal Advisers, under the relevant sale and purchase agreements, we are expressly required to submit the relevant requisite materials for the issuance of building ownership certificate to the property registration department (the “**Submission**”) within the stipulated time frame after the delivery of the relevant properties. On the other hand, the relevant sale and purchase agreements do not stipulate that completion of the subject matter under such agreements is conditional upon the transfer of ownership titles. Completion of the relevant sale and purchase agreements being conditional upon our due performance of the Submission is not tantamount to the same being conditional upon the transfer of ownership titles. Given the sheer fact that there is no specification under the relevant sale and purchase agreements which renders the transfer of ownership titles a prerequisite of the completion of the subject matter under such agreements, our PRC Legal Advisers are of the view that the transfer of ownership titles is not a condition precedent to the completion of the sale and purchase agreements. As such, transfer of ownership titles does not have any bearing on the completion of the relevant sale and purchase agreements.

Furthermore, as advised by our PRC Legal Advisers, according to (i) the Contract Law of the PRC (《中華人民共和國合同法》), the risks of the subject matter’s damage or loss is borne by the seller before the delivery of the subject matter and by the buyer after the delivery, unless the laws otherwise provide or the parties otherwise agree upon, and (ii) the Interpretation of the Supreme People’s Court on the Relevant Issues concerning the Application of Law for Trying Cases on Dispute over Contract for the Sale of Commodity

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Houses (《最高人民法院關於審理商品房買賣合同糾紛案件適用法律若干問題的解釋》), the risks of the property's damage or loss is borne by the seller before the delivery of the property and by the buyer after the delivery. Based on the foregoing, our PRC Legal Advisers are therefore of the view that, if the properties are already delivered to the property owners, then even before the transfer of ownership titles, the property owners shall bear the loss or costs associated with the relevant properties, such as earthquake, fire and flooding etc.

As further advised by our PRC Legal Advisers, according to relevant PRC laws and regulations, unless in the case of force majeure or where we are in breach of the relevant sale and purchase agreements, unilateral termination of the relevant sale and purchase agreements by the relevant owners constitutes a breach of such agreements and the property owners shall bear the liability for such breach. Thus, in the event of due performance by us of our obligations as stipulated under the sale and purchase agreements (such as delivery of the relevant properties in the quality and size as more particularly described in the agreements and completion of the Submission, failing which the relevant purchasers would be entitled under the applicable PRC laws and regulations to claim for rescission of the relevant sale and purchase agreements and corresponding damages), there is no mechanism for termination of the sale and purchase agreements during the time after delivery of the properties, regardless of the transfer of ownership titles (which is not our obligation or undertaking under the sale and purchase agreements).

Revenue from sale of properties excludes business tax and other sales related taxes and is after deduction of any discounts allowed. Deposits and instalments received on properties sold before the date of revenue recognition are included in the consolidated statement of financial position under proceeds received from pre-sale of properties.

(ii) Room Revenue

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

(iii) Admission income

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

(iv) Catering income

Catering income received from F&B sales is recognised when the services are rendered.

(v) Rental income

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

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(vi) Interest income

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

(vii) Massage service income

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

(viii) Conference fee income

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

Property, plant and equipment

Property, plant and equipment (mainly including hotels and offices classified as buildings), other than construction in progress, are stated at cost, less any accumulated depreciation and impairment losses.

Construction in progress is stated at cost less any accumulated impairment losses. Depreciation begins when the relevant assets are available for use.

We review and adjust the estimated useful lives, residual values and depreciation method for our property, plant and equipment at the end of each reporting period which are based on the historical experience of the actual useful lives and residuals values of assets of similar nature and functions. We will revise the depreciation charge where useful lives and residuals values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

The net book values of property, plant and equipment are reviewed at the end of each reporting period for indications of impairment and an impairment loss is recognised to reduce the carrying amount to the recoverable amount, which is the greater of the net selling price and the value in use. We require significant judgement relating to level of future income and operating costs to determine the value in use by using all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of future income and operating costs. Changes in these estimates could have a significant impact on the carrying amount of assets and could result in additional impairment charge or reversal of impairment in futures periods.

For further details of the accounting policies of our property, plant and equipment, please refer to note 2.5 to the Accountant's Report in Appendix I to this prospectus.

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Investment properties

In determining whether a property qualifies as an investment property, we consider whether the property generates cash flows largely independently of the other assets held by us.

Some properties comprise a portion that is held to earn rentals and another portion that is held for use in the production of goods. If these portions can be sold separately, we account for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production of goods. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property.

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 as at each reporting date based on valuation performed by an external independent valuer. Gains or losses arose from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise. The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

We have 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. Our Directors have exercised their judgment and are satisfied that the method of valuation is reflection of the current market conditions.

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

For further details of the accounting policy of our investment properties, please refer to note 2.6 to the Accountant's Report in Appendix I to this prospectus.

Properties held for sale

Properties held for sale comprise properties held for sale under development and completed properties held for sale, which are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties.

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

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We typically divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phase based on the estimated area of properties sold as a percentage of the total estimated saleable area of the entire project. When the final settlement of costs and the related cost allocation is different from initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future periods.

On completion of properties for sale under development, the properties are reclassified as completed properties held for sale at the then carrying amount.

Net realisable value is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion.

For further details of the accounting policy of our properties held for sale, please refer to notes 2.8 and 2.9 to the Accountant's Report in Appendix I to this prospectus.

Accounts and other receivables

Accounts and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of accounts and other receivables is considered based on assessments of recoverability, including the current creditworthiness, the past collection history, the length of overdue period and collateral and established when there is objective evidence that we will not be able to collect all amounts due according to the original terms of receivables.

Impairment losses are reversed in profit or loss in subsequent periods when an increase in the recoverable amount can be related objectively to an event occurring after the impairment was recognised.

For further details of the accounting policy of our accounts and other receivables, please refer to note 2.12 to the Accountants' Report in Appendix I to this prospectus.

Income taxes

We are 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 affect the income tax and deferred tax provisions in the period in which such determination is made.

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

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Our Directors have reviewed our investment property portfolio and concluded that our investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining our deferred tax for investment properties, our Directors have adopted the presumption that investment properties measured using the fair value model are recovered through sale.

For further details of the accounting policies of our taxation, please refer to notes 2.22 and 2.23 to the Accountant's Report in Appendix I to this prospectus.

SUMMARY OF RESULTS OF OPERATIONS

The selected financial information of our audited consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016 are set forth in the Accountant's Report in Appendix I to this prospectus. The following table sets forth our results of operations for the periods indicated:

	For the year ended		For the five months ended	
	31 December		31 May	
	2014	2015	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	206,468	202,153	62,579	56,904
Cost of sales	(104,114)	(107,890)	(37,195)	(39,293)
Gross profit	102,354	94,263	25,384	17,611
Other income	443	387	126	80
Fair value gains on investment properties	59,124	21,343	5,711	9,640
Selling expenses	(24,151)	(28,768)	(11,431)	(9,307)
Administrative expenses	(31,268)	(41,082)	(18,783)	(21,397)
Profit/(loss) from operations	106,502	46,143	1,007	(3,373)
Finance costs	(23,664)	(46,442)	(21,575)	(16,528)
Profit/(loss) before tax	82,838	(299)	(20,568)	(19,901)
Income tax (expenses)/credit	(24,803)	(15,193)	278	(689)
Profit/(loss) for the year/period	<u>58,035</u>	<u>(15,492)</u>	<u>(20,290)</u>	<u>(20,590)</u>
Other comprehensive (loss)/income	(309)	(9,151)	2,072	(2,396)
Total comprehensive income/(loss) for the year/period	<u>57,726</u>	<u>(24,643)</u>	<u>(18,218)</u>	<u>(22,986)</u>

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DESCRIPTION AND DISCUSSION OF THE MAJOR COMPONENTS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We generated our revenue from our two primary business segments: (i) hot spring resort and hotel operations; and (ii) tourism property development. During the Track Record Period, our revenue from hot spring resort and hotel operations comprised (i) Room Revenue; (ii) admission income; (iii) catering income; (iv) rental income; (v) massage service income; (vi) conference fee income; and (vii) other service income (such as income from the provision of entertainment facilities and sales of merchandise), while our revenue from tourism property development mainly comprised property sales.

Our total revenue slightly decreased by approximately 2.1% from approximately RMB206.5 million for 2014 to approximately RMB202.2 million for 2015, primarily due to a decrease in revenue generated from our tourism property development, partially offset by a slight increase in revenue generated from our hot spring resort and hotel operations.

Revenue generated from our hot spring resort and hotel operations slightly increased by approximately 2.0% from approximately RMB96.4 million for 2014 to approximately RMB98.3 million for 2015, accounting for approximately 46.7% and 48.6% of our total revenue for the years ended 31 December 2014 and 2015, respectively.

Revenue generated from our tourism property development decreased by approximately 5.7% from approximately RMB110.1 million for 2014 to approximately RMB103.9 million for 2015, accounting for approximately 53.3% and 51.4% of our total revenue for the years ended 31 December 2014 and 2015, respectively.

Amid the slight growth of our hot spring resort and hotel operations, our tourism property development recorded a drop of revenue primarily attributable to decreases in the GFA sold and delivered and average selling price for the sale of tourism properties mainly because only two remaining units of our *Baden Town Villas* were sold during 2015 and the sale of our *Mountain Seaview Vacation Apartments* moderated in 2015 after achieving the strong sales in the fourth quarter of 2014.

The decrease in our total revenue by approximately 9.1% from approximately RMB62.6 million for the five months ended 31 May 2015 to approximately RMB56.9 million for the five months ended 31 May 2016, was mainly due to a decrease in revenue generated from our tourism property development by approximately 58.9% from approximately RMB22.3 million for the five months ended 31 May 2015 to approximately RMB9.2 million for the five months ended 31 May 2016, partially offset by an increase in revenue generated from our hot spring resort and hotel operations.

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The significant decrease in revenue generated from our tourism properties development was primarily attributable to a decrease in the GFA sold and delivered of tourism properties under our *Mountain Seaview Vacation Apartments* which was completed and delivered towards the end of 2014, while we have not recognised revenue for the pre-sold units of *Joyful Apartments* which was still under development in the first five months of 2016.

Our hot spring resort and hotel operations recorded revenue growth of approximately 18.6% from approximately RMB40.2 million for the five months ended 31 May 2015 to approximately RMB47.7 million for the five months ended 31 May 2016 primarily attributable to an increase in the number of visitors to our *Gudou Hot Spring Valley* and the commencement of operation of our fourth themed hotel complex, *Mountain Seaview Hotel* in February 2016.

Due to the significant drop of the revenue generated from our tourism property development, the revenue generated from our tourism property development in percentage of our total revenue decreased from approximately 35.7% for the five months ended 31 May 2015 to approximately 16.1% for the five months ended 31 May 2016, while the revenue generated from our hot spring resort and hotel operations in percentage of our total revenue increased from approximately 64.3% for the five months ended 31 May 2015 to approximately 83.9% for the five months ended 31 May 2016.

Our revenue attributable to our tourism property development is subject to fluctuation due to certain factors, such as the timing of the development schedule as well as our business strategy, all have an impact on the results of operations of our tourism property development for any particular period.

The following table sets forth a breakdown of our revenue by each business segment for the periods indicated:

	For the year ended 31 December				For the five months ended 31 May			
	2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Hot spring resort and hotel operations								
Room Revenue	50,114	24.3	51,659	25.6	22,033	35.2	25,860	45.4
Admission income	15,697	7.6	18,917	9.4	6,736	10.8	8,318	14.6
Catering income	23,212	11.2	21,023	10.4	8,572	13.7	10,247	18.0
Rental income	980	0.5	871	0.4	352	0.6	428	0.8
Massage service income	2,388	1.2	2,045	1.0	999	1.6	893	1.6
Conference fee income	1,206	0.6	1,109	0.5	593	0.9	706	1.2
Other service income	2,763	1.3	2,658	1.3	963	1.5	1,276	2.3
Sub-total	96,360	46.7	98,282	48.6	40,248	64.3	47,728	83.9
Tourism property development								
Property sales	110,108	53.3	103,871	51.4	22,331	35.7	9,176	16.1
Total	206,468	100.0	202,153	100.0	62,579	100.0	56,904	100.0

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Hot spring resort and hotel operations

Our revenue generated from hot spring resort and hotel operations slightly increased by approximately 2.0% from 2014 to 2015 mainly due to (i) an increase in our Room Revenue by approximately RMB1.5 million (or approximately 3.1%), and (ii) an increase in our admission income by approximately RMB3.2 million (or approximately 20.5%), partially offset by a decrease in our catering income by approximately RMB2.2 million (or approximately 9.4%).

Our revenue generated from hot spring resort and hotel operations increased by approximately 18.6% from approximately RMB40.2 million for the five months ended 31 May 2015 to approximately RMB47.7 million for the five months ended 31 May 2016, mainly due to (i) an increase in our Room Revenue by approximately RMB3.8 million (or approximately 17.4%); (ii) an increase in our admission income by RMB1.6 million (or approximately 23.5%); and (iii) an increase in our catering income by approximately RMB1.7 million (or approximately 19.5%).

The following table sets forth a breakdown of our revenue from hot spring resort and hotel operations by each segment of customers for the periods indicated:

	For the year ended 31 December				For the five months ended 31 May			
	2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Travel agencies	45,964	47.7	40,492	41.2	18,217	45.3	22,833	47.8
Walk-in customers	35,187	36.5	35,878	36.5	15,066	37.4	14,815	31.0
Customers through third party online websites	9,730	10.1	12,710	12.9	4,765	11.8	7,568	15.9
Corporate customers	5,479	5.7	9,202	9.4	2,200	5.5	2,512	5.3
Total	96,360	100.0	98,282	100.0	40,248	100.0	47,728	100.0

The decrease in revenue from our travel agencies by approximately 11.9% from 2014 to 2015 was mainly due to increased effort in promoting sales to customers through third party online websites and increased sales to corporate customers. For the five months ended 31 May 2016, revenue from our travel agencies increased by approximately 25.3% as compared to that for the same period in 2015, which was mainly due to the increase in the booking of our *Mountain Seaview Hotel* which commenced operation in February 2016; and revenue from customers through third party online websites increased by approximately 58.8% from the five months ended 31 May 2015 to five months ended 31 May 2016 mainly due to increased efforts in our promotion with certain third party online websites.

Room Revenue

For the years ended 31 December 2014 and 2015 and each of the five months ended 31 May 2015 and 2016, our Room Revenue accounted for approximately 24.3%, 25.6%, 35.2% and 45.4% of our total revenue, respectively, which represented revenue generated from room rental and other ancillary services of our themed hotel complexes, namely *Royal Spa Hotel*, *Hot Spring Villa Hotel*, *Holiday Lakeview Hotel* and *Mountain Seaview Hotel*, in our *Gudou Hot Spring Resort*.

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The following table sets forth a breakdown of our Room Revenue generated from each themed hotel complexes for the periods indicated:

	For the year ended 31 December				For the five months ended 31 May			
	2014		2015		2015		2016	
	RMB'000	% of total Room Revenue	RMB'000	% of total Room Revenue	RMB'000	% of total Room Revenue	RMB'000	% of total Room Revenue
<i>Royal Spa Hotel</i>	7,818	15.6	8,680	16.8	3,712	16.8	3,468	13.4
<i>Holiday Lakeview Hotel</i>	7,936	15.8	8,384	16.2	3,638	16.6	3,226	12.5
<i>Hot Spring Villa Hotel</i>	34,360	68.6	34,595	67.0	14,683	66.6	14,342	55.4
<i>Mountain Seaview Hotel</i>	—	—	—	—	—	—	4,824	18.7
Total	50,114	100.0	51,659	100.0	22,033	100.0	25,860	100.0

Our Room Revenue attributable to the tourism properties that we leased from, or operated and managed for (as the case may be), the property owners following our sales and delivery to them and that comprised part of our *Hot Spring Villa Hotel* and *Mountain Seaview Hotel* was approximately RMB31.2 million, RMB32.0 million, RMB13.4 million and RMB18.0 million for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively, accounting for approximately 90.7%, 92.5%, 91.2% and 93.8% of our Room Revenue attributable to *Hot Spring Villa Hotel* and *Mountain Seaview Hotel* for the same periods, respectively, and approximately 62.3%, 61.9%, 60.9% and 69.5% of our total Room Revenue for the same periods, respectively. The relevant fee payments that we made to the owners of such properties in respect of the relevant lease or operation agreements were approximately RMB9.9 million, RMB9.1 million, RMB4.2 million and RMB3.2 million for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively.

Our Room Revenue depended in part on the achieved average room rate and occupancy rate. Average room rate and occupancy rate were mainly affected by competition, availability and supply of hotel rooms in the region and market demand in the hot spring and hotel industry.

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The following table sets forth our Total Available Room Nights, Total Occupied Room Nights, occupancy rate, average room rate and RevPAR of each themed hotel complexes for the periods indicated:

	Total Available Room Nights (Note)			Total Occupied Room Nights (Note)			Occupancy rate (Note)			Average room rate (Note)			RevPAR (Note)							
	For the five months ended 31 May			For the five months ended 31 May			For the year ended 31 December			For the five months ended 31 May			For the year ended 31 December			For the five months ended 31 May				
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016		
	(’000)	(’000)	(’000)	(’000)	(’000)	(’000)	(%)	(%)	(%)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)		
<i>Royal Spa Hotel</i>	20.4	19.6	8.3	8.3	9.4	11.4	4.5	4.4	46.2	58.0	54.1	53.1	830.1	764.3	831.6	786.4	383.9	443.3	450.0	417.3
<i>Holiday Lakeview Hotel</i>	47.1	46.1	19.4	19.5	25.8	28.1	11.5	9.7	54.9	61.0	59.3	49.9	307.2	298.1	315.5	331.0	168.6	182.0	187.2	165.2
<i>Hot Spring Villa Hotel</i>	224.2	218.2	91.0	89.0	123.7	115.6	45.2	48.0	55.2	53.0	49.6	53.9	277.7	299.3	325.0	299.1	153.2	158.6	161.3	161.2
<i>Mountain Seaview Hotel</i>	N/A	N/A	N/A	56.5	N/A	N/A	N/A	19.0	N/A	N/A	N/A	33.6	N/A	N/A	N/A	254.4	N/A	N/A	N/A	85.4
For all hotels	291.7	283.9	118.7	173.3	158.9	155.1	61.2	81.1	54.5	54.6	51.5	46.8	315.2	333.1	360.2	319.0	171.8	182.0	185.6	149.2

Note: For the purpose of calculating these rates/figures, the aggregate number of rooms within the villa/suite in the themed hotel complexes is taken as the total number of available room nights for calculations and/or taken as the basis for considering the total number of rented room nights.

The increase in our Room Revenue by approximately 3.1% from 2014 to 2015 was mainly due to (i) an increase in attendance to two of our themed hotel complexes, including our *Royal Spa Hotel* and *Holiday Lakeview Hotel*; and (ii) an increase in the average room rate of our *Hot Spring Villa Hotel*. The increase in attendance to our two themed hotel complexes was primarily attributable to the roll-out of promotional packages that cater for accommodation and hot spring/natural spring facilities services exclusively to attract customers during 2015.

The increase in our Room Revenue by approximately 17.4% from the five months ended 31 May 2015 to the five months ended 31 May 2016 primarily attributable to the commencement of operation of our fourth themed hotel complex, *Mountain Seaview Hotel* in February 2016 which increased the total Occupied Room Nights.

The occupancy rate of our themed hotel complexes for the five months ended 31 May 2016 decreased to approximately 46.8% compared to approximately 51.5% for the same period in 2015, mainly due to the opening of our *Mountain Seaview Hotel* which leads to an increase in Total Available Room Nights. The RevPAR of our themed hotel complexes for the five months ended 31 May 2016 decreased by approximately 19.6% compared to that for the same period in 2015, mainly due to the lower room rate charged for our *Mountain Seaview Hotel* as part of its opening promotion activities.

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Admission income

For the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, our admission income accounted for approximately 7.6%, 9.4%, 10.8% and 14.6% of our total revenue, respectively. We generated admission income from our *Gudou Hot Spring Valley* and *Natural Spring Waterpark*, which was driven by attendance and ticket pricing.

The following table sets forth a breakdown of our admission income from our *Gudou Hot Spring Valley* and *Natural Spring Waterpark*, attendance and average ticket price for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May									
	2014		2015		2015		2015		2016		2016					
	Admission income RMB'000	%	Ticket attendance No. of visitors	Average ticket price RMB/visitors	Admission income RMB'000	%	Ticket attendance No. of visitors	Average ticket price RMB/visitors	Admission income RMB'000	%	Ticket attendance No. of visitors	Average ticket price RMB/visitors				
<i>Gudou Hot Spring Valley</i>	13,427	85.5	238,546	56.3	16,469	87.1	278,268	59.2	6,464	96.0	106,090	60.9	8,062	96.9	149,488	53.9
<i>Natural Spring Waterpark</i>	2,270	14.5	86,928	26.1	2,448	12.9	122,430	20.0	272	4.0	10,407	26.1	256	3.1	10,827	23.6
Total	15,697	100.0	325,474		18,917	100.0	400,698		6,736	100.0	116,497		8,318	100.0	160,315	

The increase in our admission income by approximately 20.5% from 2014 to 2015 was mainly attributable to an increase in attendance to both our *Gudou Hot Spring Valley* and *Natural Spring Waterpark* mainly as a result of the roll-out of promotional packages that cater for accommodation and hot spring/natural spring facilities services to attract customers.

The increase in our admission income by approximately 23.5% from the five months ended 31 May 2015 to the five months ended 31 May 2016 was primarily attributable to an increase in attendance to our *Gudou Hot Spring Valley* mainly as a result of the commencement of operation of our *Mountain Seaview Hotel* since February 2016 and ticket price discount offered to our hotel customers.

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Catering income

Our catering income accounted for approximately 11.2%, 10.4%, 13.7% and 18.0% of our total revenue for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively. Our catering income represented the sale of food and beverages in the conference centre and restaurants operated by us and in our themed hotel complexes.

The following table sets forth a breakdown of our catering income generated from *Yongya Pavillion* and each of our themed hotel complexes for the periods indicated:

	For the year ended 31 December				For the five months ended 31 May			
	2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
<i>Yongya Pavillion</i>	14,828	63.9	12,342	58.7	4,965	57.9	5,863	57.3
<i>Royal Spa Hotel</i>	1,870	8.1	2,329	11.1	959	11.2	1,087	10.6
<i>Holiday Lakeview Hotel</i>	2,485	10.7	2,404	11.4	1,117	13.0	771	7.5
<i>Hot Spring Villa Hotel</i>	4,029	17.3	3,948	18.8	1,531	17.9	1,816	17.7
<i>Mountain Seaview Hotel</i>	—	—	—	—	—	—	710	6.9
Total	23,212	100.0	21,023	100.0	8,572	100.0	10,247	100.0

Note: The consumption of food and beverage products by hotel guests in our themed hotel complexes is included our room catering services.

The decrease in our catering income by approximately 9.4% from 2014 to 2015 was mainly attributable to a decrease in our catering revenue attributable to *Yongya Pavillion*, which was mainly due to our strategic focus on sales of promotional package exclusively for accommodation and hot spring/natural spring facilities services that resulted in reduced consumptions of catering services at *Yongya Pavillion*.

The increase in our catering income by approximately 19.5% from the five months ended 31 May 2015 to the five months ended 31 May 2016 was mainly attributable to an increase in our catering revenue attributable to *Yongya Pavillion* and *Mountain Seaview Hotel* mainly as a result of an increase in the number of visitors to our *Gudou Hot Spring Resort* due to the commencement of operation of our *Mountain Seaview Hotel* since February 2016.

Tourism property development

Property sales

Our tourism property development included the development and sale of tourism properties in our *Gudou Hot Spring Resort*. Our revenue generated from the sale of properties under property development decreased by approximately 5.7% from 2014 to 2015 and approximately 58.9% from the five months ended 31 May 2015 to the five months ended 31 May 2016, which was mainly attributable to a decrease in the GFA sold and delivered.

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The following table sets forth a breakdown of our revenue from sales, units sold and delivered, GFA sold and delivered and average selling price of our *Baden Town Villas* and *Mountain Seaview Vacation Apartments* for the periods indicated:

	For the year ended 31 December					For the five months ended 31 May									
	2014		2015			2015		2016							
	Revenue	Units delivered	GFA sold and delivered	Average selling price	Revenue	Units delivered	GFA sold and delivered	Average selling price	Revenue	Units delivered	GFA sold and delivered	Average selling price			
RMB'000	%	sq.m.	per sq.m.	RMB'000	%	sq.m.	per sq.m.	RMB'000	%	sq.m.	per sq.m.	RMB			
<i>Baden Town Villas</i>	42,657	38.7	16	4,274	9,981	3,730	3.6	2	355	10,494	—	N/A	—	—	N/A
<i>Mountain Seaview Vacation Apartments</i>	67,451	61.3	250	12,916	5,222	100,141	96.4	262	16,616	6,027	22,331	5,594	3,992	9,176	1,575
Total/Overall	110,108	100.0	266	17,190	6,405	103,871	100.0	264	16,971	6,120	22,331	5,594	3,992	9,176	1,575

The decrease in the revenue from our tourism property development from 2014 to 2015 was mainly attributable to a decrease in the GFA sold and delivered. For 2014, we sold and delivered 16 units of an aggregate GFA of approximately 4,274 sq.m. under our *Baden Town Villas* and 250 units of an aggregate GFA of approximately 12,916 sq.m. under our *Mountain Seaview Vacation Apartments*, whereas for 2015, we sold and delivered a total of 262 units of an aggregate GFA of approximately 16,616 sq.m. under our *Mountain Seaview Vacation Apartments* and 2 units of an aggregate GFA of approximately 355 sq.m. under our *Baden Town Villas*. The decrease in the GFA sold and delivered was coupled with the effect of a decrease in the average selling price for our properties delivered. Such decrease in average selling price was primarily because the units we mainly sold and delivered for 2015 were apartments whose average selling price was relatively lower (as compared to 16 units of properties we sold and delivered for 2014 which were villas that were sold at a relatively higher average selling prices).

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The decrease in the revenue from our tourism property development from the five months ended 31 May 2015 to the five months ended 31 May 2016 was mainly attributable to a decrease in the GFA sold and delivered. For the five months ended 31 May 2015, we sold and delivered 79 units of an aggregate GFA of approximately 3,992 sq.m. under our *Mountain Seaview Vacation Apartments*, whereas for the five months ended 31 May 2016, we only sold and delivered a total of 18 units of an aggregate GFA of approximately 1,575 sq.m. under our *Mountain Seaview Vacation Apartments*.

Our revenue attributable to the tourism properties that we sold and delivered to our customers and subsequently leased from, or operated and managed for (as the case may be), then for our hot spring resort and hotel operations amounted to approximately RMB86.2 million, RMB64.0 million, RMB22.3 million and RMB9.2 million for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively, accounting for approximately 78.3%, 61.6%, 100.0% and 100.0% of our total property sales for the same periods, respectively. The gross profits attributable to such properties amounted to approximately RMB48.6 million, RMB36.7 million, RMB10.0 million and RMB5.2 million for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively, accounting for approximately 71.6%, 60.2%, 100.0% and 100.0% of our total gross profit attributable to our tourism property development for the same periods, respectively.

Cost of sales

Cost of sales of our hot spring resort and hotel operations mainly comprised F&B costs, labour costs, electricity and fuel, depreciation of fixed assets, amortisation of prepaid land lease payments, rental payment of villas and other expenses. For the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, cost of sales relating to our hot spring resort and hotel operations represented approximately 59.5%, 60.2%, 73.0% and 89.9% of our total cost of sales, respectively.

Cost of sales of our tourism property development mainly comprised renovation costs, furniture and appliances, utilities and other supporting facilities costs, design and civil engineering costs, construction costs, land costs and land filling costs, capitalised finance costs, and others. For the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, cost of sales relating to our tourism property development represented approximately 40.5%, 39.8%, 27.0% and 10.1% of our total cost of sales, respectively.

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The below table sets forth a breakdown of our cost of sales by business segment for the periods indicated:

	For the year ended 31 December				For the five months ended 31 May			
	2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Hot spring resort and hotel operations								
— F&B costs	8,678	8.3	8,129	7.5	3,406	9.2	4,259	10.8
— Labour costs	13,523	13.0	16,778	15.6	7,257	19.5	9,341	23.8
— Electricity and fuel	6,380	6.1	5,948	5.5	3,151	8.5	3,398	8.6
— Depreciation of fixed assets	13,696	13.2	14,207	13.2	5,899	15.9	5,934	15.1
— Amortisation of prepaid land lease payments	326	0.3	326	0.3	137	0.4	111	0.3
— Amortisation of prepayments for renovation for properties held for sale	—	—	—	—	—	—	5,585	14.2
— Rental payment of villas	9,948	9.6	9,306	8.6	3,986	10.7	3,080	7.8
— Other expenses (Note 1)	9,385	9.0	10,292	9.5	3,320	8.8	3,626	9.3
Sub-total	61,936	59.5	64,986	60.2	27,156	73.0	35,334	89.9
Tourism property development								
— Renovation costs	4,034	3.9	651	0.6	—	—	—	—
— Furniture and appliances	654	0.6	70	0.1	—	—	—	—
— Utilities and other supporting facilities costs	4,361	4.2	5,267	4.9	1,260	3.4	497	1.3
— Design and civil engineering costs	444	0.4	470	0.4	111	0.3	44	0.1
— Construction costs	29,899	28.8	33,796	31.3	8,048	21.6	3,176	8.1
— Land costs and land filling costs	1,179	1.1	832	0.8	188	0.5	74	0.2
— Capitalised finance costs	1,400	1.3	1,794	1.7	431	1.2	167	0.4
— Others (Note 2)	207	0.2	24	0.0	1	—	1	—
Sub-total	42,178	40.5	42,904	39.8	10,039	27.0	3,959	10.1
Total	<u>104,114</u>	<u>100.0</u>	<u>107,890</u>	<u>100.0</u>	<u>37,195</u>	<u>100.0</u>	<u>39,293</u>	<u>100.0</u>

Notes:

- (1) Other expenses mainly included consumables, telecommunication expenses and other maintenance expenses.
- (2) Others mainly included costs incurred for miscellaneous post-construction enhancement work for the tourism property development projects.

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Our cost of sales slightly increased by approximately 3.6% from 2014 to for 2015 primarily due to an increase in cost of sales of both of our hot spring resort and hotel operations, and tourism property development.

Our cost of sales increased by approximately 5.6% from the five months ended 31 May 2015 to the five months ended 31 May 2016, primarily due to an increase in cost of sales of our hot spring resort and hotel operations primarily attributable to an increase in revenue from our hot spring resort and hotel operations and the commencement of the amortisation of prepayments for renovation for properties held for sale, partially offset by a decrease in cost of sales of our tourism property development, which was mainly as a result of a decrease in the GFA sold and delivered during the five months ended 31 May 2016.

Hot spring resort and hotel operations

Cost of sales of our hot spring resort and hotel operations increased by approximately 4.9% from 2014 to 2015 mainly due to an increase in our labour costs which was primarily attributable to (i) the initiation of making full contributions towards social insurance and housing provident fund for our employees based on their actual salaries since February 2015; (ii) salary increase of our employees; and (iii) an increase in headcount of full-time staff for our hot spring resort and hotel operations (which was 577 and 611 as at 31 December 2014 and 2015, respectively).

Cost of sales of our hot spring resort and hotel operations increased by approximately 30.1% from the five months ended 31 May 2015 to the five months ended 31 May 2016 primarily attributable to (i) the commencement of the amortisation of prepayments for renovation for properties held for sale over the terms of nil fee payment contracts in 2016; and (ii) an increase in revenue from our hot spring resort and hotel operations primarily attributable to increased number of visitors and the commencement of operation of our *Mountain Seaview Hotel* in February 2016 which led to an increase in our F&B costs, labour costs and electricity and fuel.

Tourism property development

Cost of sales of our tourism property development increased by approximately 1.7% from 2014 to 2015 mainly due to (i) increased sales of our *Mountain Seaview Vacation Apartments*; and (ii) increased average costs of our *Baden Town Villas*.

Our *Baden Town Villas* were constructed between July 2007 and September 2008, therefore the construction cost was relatively lower at approximately RMB903 per sq.m.; whereas our *Mountain Seaview Vacation Apartments* were constructed in 2014, therefore the construction cost was relatively higher at approximately RMB2,001 per sq.m. as a result of the inflation of construction cost in the market. Notwithstanding the construction cost of our *Baden Town Villas* was relatively low, its renovation cost (which was incurred before delivery) was high at approximately RMB1,831 per sq.m.

Cost of sales of our tourism property development decreased by approximately 60.6% from the five months ended 31 May 2015 to the five months ended 31 May 2016 primarily due to a decrease in the GFA sold and delivered.

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The following table sets forth the analysis of cost of property sales for our *Baden Town Villas* and *Mountain Seaview Vacation Apartments* for the periods indicated:

	For the year ended 31 December				For the five months ended 31 May				
	2014		2015		2015		2016		
	Cost of property sales RMB'000	GFA sold and delivered sq.m.	Average costs RMB/sq.m	Cost of property sales RMB'000	GFA sold and delivered sq.m.	Average costs RMB/sq.m	Cost of property sales RMB'000	GFA sold and delivered sq.m.	Average costs RMB/sq.m
<i>Baden Town Villas</i>	9,688	4,274	2,267	1,139	355	3,204	—	—	N/A
<i>Mountain Seaview Vacation Apartments</i>	32,490	12,916	2,515	41,765	16,616	2,514	10,039	3,959	2,514
Total/Overall	42,178	17,190	2,454	42,904	16,971	2,528	10,039	3,959	2,514

The increase in average costs for our *Baden Town Villas* from 2014 to 2015 was mainly due to certain units under our *Baden Town Villas* development projects which were sold in 2014 were delivered in a bare shell condition. Of the units of our *Baden Town Villas* that were sold and delivered in 2014, 11 units and five units were delivered with renovation and in a bare shell condition, respectively, accounting for approximately 68.8% and 31.2% of total units of our *Baden Town Villas* sold, respectively. In 2015, all of our *Baden Town Villas* were delivered with renovation.

Gross profit and gross profit margin

Our gross profit represents our revenue less our cost of sales while our gross profit margin represents our gross profit divided by our revenue. For the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, our gross profit amounted to approximately RMB102.4 million, RMB94.3 million, RMB25.4 million and RMB17.6 million, respectively, and our gross profit margin was approximately 49.6%, 46.6%, 40.6% and 30.9% for the same periods, respectively.

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The following table sets forth a breakdown of our gross profit and gross profit margin by each of our business segments for the periods indicated:

	For the year ended 31 December			For the five months ended 31 May				
	2014		2015		2015		2016	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Hot spring resort and hotel operations	34,424	35.7	33,296	33.9	13,092	32.5	12,394	26.0
Tourism property development	67,930	61.7	60,967	58.7	12,292	55.0	5,217	56.9
Total/Overall	102,354	49.6	94,263	46.6	25,384	40.6	17,611	30.9

The following table sets forth a breakdown of gross profit and gross profit margin from the sale of our *Baden Town Villas* and *Mountain Seaview Vacation Apartments* for the periods indicated:

	For the year ended 31 December				For the five months ended 31 May									
	2014		2015		2015		2016							
	Revenue RMB'000	Gross profit margin %	Cost of properties sold RMB'000	Gross profit margin %	Revenue RMB'000	Gross profit margin %	Cost of properties sold RMB'000	Gross profit margin %						
<i>Baden Town Villas</i>	42,657	77.3	3,730	1,139	2,591	69.5	—	—	N/A					
<i>Mountain Seaview Vacation Apartments</i>	67,451	51.8	100,141	41,765	58,376	58.3	22,331	10,039	12,292	55.0	9,176	3,959	5,217	56.9
Total/Overall	110,108	61.7	103,871	42,904	60,967	58.7	22,331	10,039	12,292	55.0	9,176	3,959	5,217	56.9

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Segment gross profit of our hot spring resort and hotel operations slightly decreased by approximately 3.3% from 2014 to 2015. Segment gross profit margin of our hot spring resort and hotel operations slightly decreased from approximately 35.7% for 2014 to approximately 33.9% for 2015. The slight decrease in the gross profit and gross profit margin of our hot spring resort and hotel operations was primarily attributable to a relatively higher level of increment in cost of sales of our hot spring resort and hotel operations (as compared to revenue attributable to our hot spring resort and hotel operations) mainly due to an increase in labour costs.

Segment gross profit of our tourism property development decreased by approximately 10.3% from 2014 to 2015. Segment gross profit margin of our tourism property development decreased from approximately 61.7% for 2014 to approximately 58.7% for 2015. The decrease in the gross profit of our tourism property development was mainly due to a decrease in GFA sold and delivered and an increase in average costs. The gross profit margin of our tourism property development decreased mainly due to (i) our *Mountain Seaview Vacation Apartments* principally comprised flats in low-rise building and thus achieved a relatively lower gross profit margin as a result of a relatively lower average selling price as compared to our *Baden Town Villas*; and (ii) the more GFA sold under our *Mountain Seaview Vacation Apartments* (as compared to our *Baden Town Villas*), the lower our gross profit margin of tourism property development would be resulted.

Considering (i) our hot spring resort and hotel operations contributed to a larger portion of our total revenue for 2015 (as compared to 2014); (ii) our hot spring resort and hotel operations continued to record a lower gross profit margin of approximately 33.9% for 2015 (as compared to our gross profit margin from our tourism property development of approximately 58.7% for 2015); and (iii) decreases in our gross profit margin from both of our business segments, our overall gross profit margin therefore experienced a decrease from 2014 to 2015.

Segment gross profit of our hot spring resort and hotel operations decreased by approximately 5.3% from the five months ended 31 May 2015 to the five months ended 31 May 2016. Segment gross profit margin of our hot spring resort and hotel operations decreased from approximately 32.5% for the five months ended 31 May 2015 to approximately 26.0% for the five months ended 31 May 2016. The decrease in the gross profit and gross profit margin of our hot spring resort and hotel operations was primarily attributable to the commencement of the amortisation of prepayments for renovation for properties held for sale over the terms of nil fee payment contracts in 2016.

Segment gross profit of our tourism property development decreased by approximately 57.6% from the five months ended 31 May 2015 to the five months ended 31 May 2016. Segment gross profit margin of our tourism property development slightly increased from approximately 55.0% for the five months ended 31 May 2015 to approximately 56.9% for the five months ended 31 May 2016. The decrease in the gross profit of our tourism property development was mainly due to a decrease in GFA sold and delivered. The gross profit margin of our tourism property development increased slightly mainly due to the increment of our selling price of our *Mountain Seaview Vacation Apartments* for the five months ended 31 May 2016 as compared to the same period in 2015.

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Considering (i) our hot spring resort and hotel operations contributed to a larger portion of our total revenue for the five months ended 31 May 2016 (as compared to the five months ended 31 May 2015); and (ii) our hot spring resort and hotel operations continued to record a lower gross profit margin of approximately 26.0% for the five months ended 31 May 2016 (as compared to our gross profit margin from our tourism property development of approximately 56.9% for the five months ended 31 May 2016), our overall gross profit margin therefore experienced a decrease from the five months ended 31 May 2015 to the five months ended 31 May 2016.

Other income

Our other income as a percentage of our total revenue was approximately 0.2%, 0.2%, 0.2% and 0.1% for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively.

The following table sets forth a breakdown of our other income for the periods indicated:

	For the year ended 31 December				For the five months ended 31 May			
	2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Interest income	33	7.4	285	73.6	36	28.6	23	28.8
Forfeited property sales deposits	50	11.3	4	1.0	—	—	51	63.8
Gain (loss) on disposal of property, plant and equipment, net	61	13.8	(38)	(9.8)	—	—	(1)	(1.3)
Insurance compensation	80	18.1	—	—	—	—	—	—
Loss on disposal of a subsidiary	—	—	(16)	(4.1)	(16)	(12.7)	—	—
Others	219	49.4	152	39.3	106	84.1	7	8.7
Total	443	100.0	387	100.0	126	100.0	80	100.0

Our other income decreased by approximately 12.6% from 2014 to 2015 primarily due to the change from a gain on disposal of property, plant and equipment of approximately RMB61,000 to a loss on disposal of property, plant and equipment of approximately RMB38,000 for 2015.

Fair value gains on investment properties

Our investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. Our 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.

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The following table sets forth a breakdown of our fair value gains on investment properties for the periods indicated:

	For the year ended 31 December		For the five months ended 31 May	
	2014	2015	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fair value gains on:				
— Land held for undetermined use	33,199	11,801	3,045	5,640
— Land held for development of investment properties	25,925	9,542	2,666	4,000
Total	59,124	21,343	5,711	9,640

For the years ended 31 December 2014 and 2015, we recorded fair value gains on investment properties of approximately RMB59.1 million and RMB21.3 million, respectively, as a result of the rise of property market price of various level during the relevant periods. As dictated by general market conditions, there was a relatively higher level of increase in property market price during 2014 (as compared to 2015), which contributed to a relatively higher level of fair value gains on investment properties for 2014 (as compared to 2015).

Similarly, for the five months ended 31 May 2015 and 2016, we recorded fair value gains on investment properties of approximately RMB5.7 million and RMB9.6 million, respectively, as a result of the rise of property market price of various level during the relevant periods. As dictated by general market conditions, there was a relatively higher level of increase in property market price during the five months ended 31 May 2016 (as compared to the same period in 2015), which contributed to a relatively higher level of fair value gains on investment properties for the five months ended 31 May 2016 (as compared to the same period in 2015).

Our investment properties included land held for development for properties to earn rentals and/or for capital appreciation, and land held for undetermined use. Investment properties are stated at fair value and their fair value changes are recognised in our profit or loss.

Included in our land held for development for properties to earn rentals is land held for development of additional hospitality and ancillary facilities, including a five-star hotel and health regimen facilities. Based on the business purpose of such developments, our Directors considered that the development of these hospitality and ancillary facilities fall under the hotel and resort operation segment. Accordingly, the fair value gains on investment properties in respect of the parcels of lands held for development of these hospitality and ancillary facilities were included in the hotel and resort operation segment.

On the other hand, our land held for undetermined use is not allocated to any reportable segment as we have not yet made any development plan for such land parcels. Accordingly, the fair value gains in respect of land held for undetermined use were not allocated to any business segment.

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The property development segment represented development and sales of tourism properties of our Group. The assets of this segment, including properties held for sale, are stated at lower of cost and net realisable value. Accordingly, no fair value gain was allocated to this business segment.

Selling expenses

Our selling expenses accounted for approximately 11.7%, 14.2%, 18.3% and 16.4% of our total revenue for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively.

The following table sets forth a breakdown of our selling expenses by business segment for the periods indicated:

	For the year ended 31 December				For the five months ended 31 May			
	2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Hot spring resort and hotel operations								
Advertising and marketing	6,721	27.8	7,518	26.1	4,124	36.1	3,345	35.9
Staff costs	863	3.6	569	2.0	387	3.4	522	5.6
Sales tax	7,446	30.8	7,680	26.7	2,199	19.2	2,329	25.0
Sub-total	15,030	62.2	15,767	54.8	6,710	58.7	6,196	66.5
Tourism property development								
Advertising and marketing	47	0.2	2,174	7.5	1,080	9.4	350	3.8
Staff costs	1,210	5.0	2,814	9.8	1,461	12.8	361	3.9
Sales commission	1,681	7.0	2,128	7.4	928	8.1	1,062	11.4
Sales tax	6,181	25.6	5,874	20.4	1,248	10.9	1,338	14.4
Others	2	0.0	11	0.1	4	0.1	—	—
Sub-total	9,121	37.8	13,001	45.2	4,721	41.3	3,111	33.5
Total	24,151	100.0	28,768	100.0	11,431	100.0	9,307	100.0

The increase in our selling expenses by approximately 19.1% from 2014 to 2015 was mainly attributable to (i) an increase in our staff costs under both business segments in aggregate from approximately RMB2.1 million for 2014 to approximately RMB3.4 million for 2015 mainly due to an increase in sales bonus paid to our employees who succeeded in procuring sales of tourism properties, the initiation of making full contributions towards social insurance and housing provident fund for our employees based on actual salaries since February 2015 and salary increase of our employees; and (ii) the incurring of advertising and marketing under tourism property development of approximately RMB2.2 million for 2015 mainly due to the promotion of our tourism property projects.

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The decrease in our selling expenses by approximately 18.6% from the five months ended 31 May 2015 to the five months ended 31 May 2016 was mainly attributable to (i) a decrease in our staff costs under our tourism property development from approximately RMB1.5 million for the five months ended 31 May 2015 to approximately RMB0.4 million for the five months ended 31 May 2016 mainly due to the reduction of property sales; and (ii) a decrease in our advertising and marketing expenses under our tourism property development from approximately RMB1.1 million for the five months ended 31 May 2015 to approximately RMB0.4 million for the five months ended 31 May 2016 due to the promotion of our tourism property projects in the first five months of 2015.

Administrative expenses

Our administrative expenses accounted for approximately 15.1%, 20.3%, 30.0% and 37.6% of our total revenue for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	For the year ended 31 December				For the five months ended 31 May			
	2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	15,237	48.7	23,179	56.4	8,980	47.8	9,117	42.6
Listing expenses	4,901	15.7	8,768	21.4	5,062	26.9	7,965	37.2
Utilities	1,176	3.8	1,248	3.0	656	3.5	569	2.7
Rental expenses	1,125	3.6	1,157	2.8	482	2.6	486	2.3
Repair and maintenance	473	1.5	421	1.0	205	1.1	48	0.2
Auditors' remuneration	130	0.4	75	0.2	32	0.2	75	0.4
Others (Note)	8,226	26.3	6,234	15.2	3,366	17.9	3,137	14.6
Total	31,268	100.0	41,082	100.0	18,783	100.0	21,397	100.0

Note: Others mainly included bank charges, depreciation and travelling expenses.

Our administrative expenses increased by approximately 31.4% from 2014 to 2015 primarily attributable to (i) an increase in staff costs mainly as a result of salary increase and the initiation of making full contributions towards social insurance and housing provident fund for our employees based on their actual salaries since February 2015; and (ii) an increase in our Listing expenses mainly due to increased professional services performed for our preparation of the Placing.

The increase in our administrative expenses by approximately 13.9% from the five months ended 31 May 2015 to the five months ended 31 May 2016 was mainly attributable to an increase in our Listing expenses mainly due to increased professional services performed for our preparation of the Placing.

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Finance costs

Our finance costs accounted for approximately 11.5%, 23.0%, 34.5% and 29.0% of our total revenue for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively.

Finance costs primarily comprised (i) interest expenses and early repayment charges on bank borrowings; (ii) imputed interest expenses on puttable shares; and (iii) interest expenses on loans from shareholders, after deducting the capitalised interest in relation to our properties held for sale, investment properties and property, plant and equipment in our *Gudou Hot Spring Resort*. The following table sets forth a breakdown of our finance costs for the periods indicated:

	For the year ended 31 December		For the five months ended 31 May	
	2014	2015	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finance costs:				
— Bank borrowings interest expenses	24,693	23,843	9,727	9,225
— Bank borrowings early repayment charges	—	5,879	5,879	—
— Puttable shares interest expenses	2,606	11,893	4,178	5,866
— Loans from shareholders	1,315	7,331	2,956	3,159
	28,614	48,946	22,740	18,250
Amounts capitalised to properties held for sale	(3,748)	(1,057)	(787)	(1,193)
Amounts capitalised to investment properties and property, plant and equipment	(1,202)	(1,447)	(378)	(529)
Total	<u>23,664</u>	<u>46,442</u>	<u>21,575</u>	<u>16,528</u>

The increase in our finance costs by approximately 96.3% from 2014 to 2015 was mainly attributable to (i) the charges of approximately RMB5.9 million incurred for our early repayments of certain bank borrowings in 2015; and (ii) the incurring of liabilities under shareholders' loans and puttable shares from the second half of 2014 as a result of the Pre-IPO Investments.

Our finance costs decreased by approximately 23.4% from the five months ended 31 May 2015 to the five months ended 31 May 2016 primarily due to the charges of approximately RMB5.9 million incurred for our early repayments of certain bank borrowings during the five months ended 31 May 2015 as a one-off payment and not recurred for the five months ended 31 May 2016.

FINANCIAL INFORMATION

Income tax

Our income tax represented the sum of current tax and deferred tax, primarily including EIT and LAT.

The following table sets out a breakdown of our income tax expenses/(credit) for the periods indicated:

	For the year ended 31 December		For the five months ended 31 May	
	2014	2015	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax				
— EIT	8	4	4	5
— LAT	8,532	9,180	1,975	996
	8,540	9,184	1,979	1,001
Deferred tax	16,263	6,009	(2,257)	(312)
	24,803	15,193	(278)	689
Total	24,803	15,193	(278)	689

Our income tax expenses decreased by approximately 38.7% from 2014 to 2015 primarily due to a decrease in our deferred tax expenses mainly attributable to the relatively lower fair value gains on investment properties in 2015, partially offset by an increase in our LAT from 2014 to 2015.

Our income tax changed from income tax credit of approximately RMB0.3 million for the five months ended 31 May 2015 to income tax expenses of approximately RMB0.7 million for the five months ended 31 May 2016 primarily due to (i) the greater amount of deferred tax credited to profit or loss mainly because of a lower amount of deferred tax expense in respect of our fair value gains on investment properties for the five months ended 31 May 2015 as compared to the same period in 2016, partially offset by a decrease in our LAT from the five months ended 31 May 2015 to the five months ended 31 May 2016.

Our effective tax rate, representing our income tax expenses divided by our profit/(loss) before tax, was approximately 29.9%, (5,081.3)%, 1.4% and (3.5)% for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively. Excluding the effect of LAT, our effective tax rate was approximately 19.6%, (2,011.0)%, 11.0% and 1.5% for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively. The fluctuation of our effective tax rate from 2014 to 2015 and from the five months ended 31 May 2015 to the five months ended 31 May 2016 was primarily attributable to (i) the fluctuation of deferred tax effects on our fair value gains on investment properties and tax losses; and (ii) the fluctuation of LAT in respect of our property sales.

Hong Kong profits tax

No provision for Hong Kong profits tax had been made as we did not have any assessable profits arising in Hong Kong during the Track Record Period.

FINANCIAL INFORMATION

Cayman Islands tax

We were not subject to any income tax in the Cayman Islands.

EIT

Provision for EIT had been provided at applicable income tax rate of 25% for the Track Record Period on the assessable profits of our subsidiaries in the PRC based on the relevant income tax rules and regulations in the PRC.

Our EIT was approximately RMB8,000, RMB4,000, RMB4,000 and RMB5,000 for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively, and was insignificant to our results of operations.

LAT

All appreciation arising from the sale or transfer of land use right, above-ground buildings and their attached facilities in the PRC is subject to LAT. We are engaged in the sale of villas and apartments, which are subject to LAT on the appraised value of the land and the improvements on the land upon the sale of such properties.

During the Track Record Period, LAT on sale of our *Baden Town Villas* was calculated based on 6% of property sales in accordance with the authorised tax valuation method approved by respectively local tax bureau. LAT on sale of our *Mountain Seaview Vacation Apartments* was levied on properties developed by us for sale, at progressive rate ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations was calculated based on the proceeds of the sale of properties less deductible expenditure including amounts paid for obtaining the of land use rights, related tax payable for the transfer of property and property development costs and expenditures.

Our LAT increased by approximately 7.6% from 2014 to 2015 mainly because of increased property sales of our *Mountain Seaview Vacation Apartments* which have a higher LAT rate than our *Baden Town Villas*.

Our LAT decreased by approximately 49.6% from the five months ended 31 May 2015 to the five months ended 31 May 2016 mainly because of a decrease in our property sales.

Deferred tax

Our deferred tax expenses decreased by approximately 63.1% from 2014 to 2015 mainly due to a relatively lower fair value gains on investment properties in 2015 (as compared to 2014).

Our deferred tax credit decreased by approximately 86.2% from the five months ended 31 May 2015 to the five months ended 31 May 2016 mainly due to a lower amount of deferred tax expense in respect of our fair value gains on investment properties for the five months ended 31 May 2015 as compared to the same period in 2016.

Except for those disclosed above, we had no tax obligation arising from other jurisdictions during the Track Record Period. Our Directors confirm that, during the Track Record Period, we had made all the required tax filings under the relevant tax laws and regulations in the relevant jurisdictions, had paid all outstanding tax liabilities on time and were not aware of any dispute with the relevant tax authorities.

FINANCIAL INFORMATION

Profit/(loss) for the year/period

We recorded a profit of approximately RMB58.0 million and a loss of approximately RMB15.5 million for the years ended 31 December 2014 and 2015, respectively. The change from a profit for 2014 to a loss for 2015 was mainly due to (i) a decrease in our fair value gains on investment properties; and (ii) an increase in our finance costs.

We maintained stable losses of approximately RMB20.3 million and RMB20.6 million for the five months ended 31 May 2015 and 2016, respectively.

The following table sets forth a sensitivity analysis of hypothetical fluctuations in our construction costs per sq.m., average selling price per sq.m. of our tourism property sales, average occupancy rates of hotels, average room rate of our hotels and fair value gains on our investment properties (net of deferred tax effect) with other assumptions held constant, and their effect on our profit/(loss) before tax for the periods indicated.

	For the years ended 31 December				For the five months ended 31 May			
	2014		2015		2015		2016	
Increase in construction cost per sq.m.	10%	20%	10%	20%	10%	20%	10%	20%
Impact on the profit/(loss) before tax (RMB'000)	(2,990)	(5,980)	(3,380)	(6,759)	(805)	(1,610)	(318)	(635)
Decrease in average selling price per sq.m. of tourism property sales	10%	20%	10%	20%	10%	20%	10%	20%
Impact on the profit/(loss) before tax (RMB'000)	(9,533)	(19,065)	(8,887)	(17,774)	(1,908)	(3,817)	(780)	(1,560)
Decrease in average occupancy rate of hotels	10%	20%	10%	20%	10%	20%	10%	20%
Impact on the profit/(loss) before tax (RMB'000)	(4,731)	(9,462)	(4,877)	(9,753)	(2,080)	(4,160)	(2,441)	(4,882)
Decrease in average room rate of hotels	10%	20%	10%	20%	10%	20%	10%	20%
Impact on the profit/(loss) before tax (RMB'000)	(4,731)	(9,462)	(4,877)	(9,753)	(2,080)	(4,160)	(2,441)	(4,882)
Decrease in fair value gains on investment properties (Note)	10%	20%	10%	20%	10%	20%	10%	20%
Impact on the profit/(loss) before tax (net of deferred tax effect) (RMB'000)	(4,434)	(8,869)	(1,601)	(3,201)	(428)	(857)	(723)	(1,446)

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Note:

The fair value gains on investment properties has experienced a decrease by approximately 63.9% during the Track Record Period, which was mainly due to the fluctuation of the increment level of property market price. Please refer to the sub-section headed “Fair value gains on investment properties” in this section for further details. Taking such historical record as the basis of the maximum extent of fluctuation in our fair value gains on investment properties, if the fair value gains on investment properties decreased by 63.9% for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, our profit/(loss) before tax (net of deferred tax effect) would decrease/increase by approximately RMB28.3 million, RMB10.2 million, RMB2.7 million and RMB4.6 million, respectively.

SELECTED ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment primarily comprised buildings, furniture, fixtures and equipment, leasehold improvements, motor vehicles and construction in progress. The carrying amount of our property, plant and equipment increased from approximately RMB165.0 million as at 31 December 2014 to approximately RMB197.7 million and RMB246.8 million as at 31 December 2015 and 31 May 2016, respectively, primarily attributable to (i) the additions of construction in progress mainly for our main avenue leading to our main entrance as well as landscaping work at various places of our *Gudou Hot Spring Resort*; and (ii) the transfer of land from investment properties prepared for the construction of public facilities under our *Heart of Spring Apartments* in the first five months of 2016.

Our buildings with carrying amount of approximately RMB65.2 million, RMB59.7 million and RMB61.7 million as at 31 December 2014 and 2015 and 31 May 2016, respectively, were pledged as securities for our borrowings. Please refer to the sub-section headed “Indebtedness” for details.

The building ownership certificates of our certain buildings which amounted to approximately RMB5.4 million as at 31 December 2014 have not yet been issued by the relevant authority. We have obtained all the building ownership certificates for all of our buildings as at the Latest Practicable Date.

Prepaid land lease payments

Our prepaid land lease payments represented the land lease amount paid to the government in relation to the lands occupied by us.

The following table sets forth the analysis of our prepaid land lease payments as at the dates indicated:

	As at 31 December		As at 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Long-term leases (<i>Note</i>)	2,503	2,448	2,429
Medium-term leases	6,504	6,009	5,917
Total	<u>9,007</u>	<u>8,457</u>	<u>8,346</u>

Note: A lease in relation to land outside Hong Kong is a long lease if the portion of the term for which the lease was granted remaining unexpired at the end of the financial year is not less than 50 years.

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Our prepaid land lease payments with carrying amount of approximately RMB6.6 million, RMB7.4 million and RMB7.1 million were pledged as securities for our borrowings at 31 December 2014 and 2015 and 31 May 2016, respectively.

Investment properties

Our investment properties included (i) land held for undetermined use; and (ii) land held for development of investment properties.

We recognised the land held for undetermined use and land held for development of investment properties in accordance with Hong Kong Accounting Standards 40 (“**HKAS 40**”) — “Investment Properties”. Land held for undetermined use represented land held by us in which we have no development plan. In accordance with paragraphs 8(a) and (b) of HKAS 40, investment properties include land held for capital appreciation, and the land held for undetermined use is regarded as held for capital appreciation.

Land held for development of investment properties represented the land held by us with potential development plans including that we are currently exploring the feasibility of using such land for development of additional hospitality and ancillary facilities (such as hotel buildings and regimen centre). In accordance with paragraph 8(e) of HKAS 40, investment properties include property that is being constructed or developed for future use as investment property.

Accordingly, we have recognised our land held for undetermined use and our land held for development of investment properties in accordance with HKAS 40. The following table sets forth a breakdown of the fair value of our investment properties as at the dates indicated:

	As at 31 December		As at 31 May
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Land held for undetermined use	310,640	322,680	328,320
Land held for development of investment properties	241,822	251,930	215,940
Total	552,462	574,610	544,260

The increase in the fair value of our investment properties from 31 December 2014 to 31 December 2015 was primarily due to increases in the fair value of both our land held for development of investment properties and our land held for undetermined use. The increases in the fair value of both our land held for development of investment properties and our land held for undetermined use was primarily due to the rise of property market price (based on which the fair value of our investment properties were calculated) over the course of the Track Record Period.

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The decrease in the fair value of our investment properties from 31 December 2015 to 31 May 2016 was primarily due to the transfer of land of approximately RMB22.9 million and RMB17.1 million to property, plant and equipment for the construction of public facilities under our *Heart of Spring Apartments* and to properties held for sale for the construction of tourism properties under our *Heart of Spring Apartments*, respectively, after obtaining the town planning approval notice* (村鎮規劃設計審批通知書) in April 2016, partially offset by our fair value gains on investment properties.

Our investment properties with fair value of approximately RMB215.9 million, RMB396.8 million and RMB302.7 million were pledged as securities for our borrowings at 31 December 2014 and 2015 and 31 May 2016, respectively.

Deferred tax assets

Our deferred tax assets mainly comprised of accrued cost, LAT and expense, impairment of assets and accelerated tax depreciation, excess of amortisation of prepaid land lease payments over tax allowance and tax losses.

Our deferred tax assets were approximately RMB6.3 million and RMB9.1 million as at 31 December 2015 and 31 May 2016, respectively, increasing from approximately RMB3.5 million as at 31 December 2014. The increase was mainly attributable to the credit of the deferred tax effect of tax losses of approximately RMB2.7 million and RMB2.7 million to profit or loss during 2015 and the five months ended 31 May 2016, respectively.

Our deferred tax assets are recognised for our tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. We did not recognise deferred tax assets of approximately RMB13.2 million, RMB12.3 million and RMB12.3 million as at 31 December 2014 and 2015 and 31 May 2016, respectively, in respect of losses amounting to approximately RMB52.9 million, RMB49.1 million and RMB49.1 million as at 31 December 2014 and 2015 and 31 May 2016, respectively, that can be carried forward against future taxable income and losses are subject to expiry period of five years.

Properties held for sale

Our properties held for sale represented (i) completed properties held for sale; and (ii) properties held for sale under development. Our completed properties held for sale represented completed development properties which have not been contracted for sales or completed development properties which have been contracted for sale but have not been delivered to purchasers. Our properties held for sale under development represent our property development projects which have commenced but have not been completed.

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Completed properties held for sale

The decrease in the carrying values of our completed properties held for sale from approximately RMB58.0 million as at 31 December 2014 to approximately RMB11.2 million as at 31 May 2016 was mainly due to the sale of tourism properties under our *Mountain Seaview Vacation Apartments* and *Baden Town Villas* in the absence of completion of construction of further tourism properties during 2015 and the first five months of 2016.

The following table sets out a breakdown of the carrying amount of our completed properties held for sale as at the dates indicated:

	As at 31 December		As at 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Completed properties held for sale			
— <i>Baden Town Villas</i>	1,139	—	—
— <i>Mountain Seaview Vacation Apartments</i>	56,877	14,930	11,153
	<u>58,016</u>	<u>14,930</u>	<u>11,153</u>
Total	<u>58,016</u>	<u>14,930</u>	<u>11,153</u>

Properties held for sale under development

The increase in the carrying values of our properties held for sale under development from approximately RMB1.2 million as at 31 December 2014 to approximately RMB22.0 million as at 31 December 2015 and RMB65.0 million as at 31 May 2016 was mainly due to commencement of construction of our *Joyful Apartments* and *Mountain Seaview Vacation Residence* during 2015 and transfer of land from investment properties for the construction of tourism properties after obtaining the town planning approval notice* (村鎮規劃設計審批通知書) for our *Heart of Spring Apartments* in April 2016.

The following table sets out a breakdown of the carrying amount of our properties held for sale under development as at the dates indicated:

	At 31 December		At 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Properties held for sale under development			
— <i>Joyful Apartments</i>	—	14,112	14,675
— <i>Mountain Seaview Vacation Residence</i>	1,203	7,881	33,031
— <i>Heart of Spring Apartments</i>	—	—	17,293
	<u>1,203</u>	<u>21,993</u>	<u>64,999</u>
Total	<u>1,203</u>	<u>21,993</u>	<u>64,999</u>

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Inventories

Our inventories primarily comprised merchandise goods. Our inventories remained stable at approximately RMB3.6 million, RMB3.3 million and RMB3.6 million as at 31 December 2014, 31 December 2015 and 31 May 2016, respectively.

Accounts receivable

The increase in our accounts receivable from approximately RMB36.9 million as at 31 December 2014 to approximately RMB42.6 million as at 31 December 2015 was primarily due to (i) increased sales to corporate customers of our hot spring resort and hotel operations; and (ii) increased outstanding payments for the tourism properties under our *Mountain Seaview Vacation Apartments* as at 31 December 2015 mainly because of a promotion event in the fourth quarter of 2015 where, among other promotions, we received a relatively smaller proportion of the purchase price as a down payment from our customers and thus a relatively larger proportion of the purchase price was recognised as accounts receivable.

The decrease in our accounts receivable to approximately RMB21.0 million as at 31 May 2016 was primarily due to the settlement of outstanding payments for the tourism properties under our *Mountain Seaview Vacation Apartments*.

Please refer to the section headed “Business — Credit policy” of this prospectus for details of our credit policy.

As at the Latest Practicable Date, approximately 84.2% (representing approximately RMB17.7 million) of our accounts receivable as at 31 May 2016 had been settled. With respect to our remaining outstanding accounts receivable of approximately RMB3.3 million as at 31 May 2016, approximately RMB2.6 million of such remaining outstanding accounts receivable represented the instalment payments in relation to our tourism property development segment. During the Track Record Period, we had not provided any financial guarantee in relation to the mortgage loans which the property purchasers had applied for the purchase of our tourism properties.

Among our remaining outstanding accounts receivable as at 31 May 2016 of approximately RMB3.3 million, approximately RMB0.7 million represented the accounts receivable from our hotel and resort operations segment. These primarily relate to a number of independent travel agencies and corporate customers of our hot spring resort and hotel operations who had no recent history of default. Accordingly, no provision is considered necessary.

The following table sets forth a breakdown of our accounts receivable by business segments as at the dates indicated:

	As at 31 December		As at 31 May
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hot spring resort and hotel operations	6,515	8,635	6,143
Tourism property development	30,433	33,932	14,889
Total	<u>36,948</u>	<u>42,567</u>	<u>21,032</u>

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As at 31 December 2014, our accounts receivable of approximately RMB6.4 million were pledged to secure a trust financing arrangement. Please refer to the sub-section headed “Indebtedness — Trust financing arrangement” in this section for further details of our trust financing arrangement. As at 31 December 2015 and 31 May 2016, approximately RMB8.6 million and RMB6.0 million of our accounts receivable was pledged for our bank borrowings, respectively.

The below table sets forth the ageing analysis of our accounts receivable, based on the invoice date for travel agents and corporate customers, or scheduled payment dates for property unit buyers and net of allowance, as at the dates indicated:

	As at 31 December		As at 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Up to 30 days	34,222	40,391	15,459
31 to 60 days	1,630	1,470	439
61 to 90 days	532	331	302
91 to 180 days	198	106	3,277
181 to 365 days	55	132	994
1 to 2 years	285	137	498
Over 2 years	26	—	63
Total	<u>36,948</u>	<u>42,567</u>	<u>21,032</u>

We had accounts receivable of approximately RMB0.8 million, RMB0.7 million and RMB1.8 million as at 31 December 2014 and 2015 and 31 May 2016, respectively, which were past due but not impaired. These were mainly related to a number of independent travel agencies and corporate customers, all of these customers with no recent history of default. No provision for impairment losses in respect of our accounts receivable was recorded during the Track Record Period due to all our debtors and our accounts receivable were assessed and followed up on a timely basis according to our credit policy and our capital management policy.

The turnover days of our accounts receivable increased from approximately 57.9 days for the year ended 31 December 2014 to approximately 71.8 days for the year ended 31 December 2015 mainly due to the foregoing reasons for the increase in our accounts receivable. The increase in our accounts receivable turnover days to approximately 84.9 days for the five months ended 31 May 2016 was primarily due to the significant reduction of revenue from our tourism property development despite a decrease in our accounts receivable. Our accounts receivable turnover days are calculated using the following formula:

$$\text{Accounts receivable turnover days} = \left\{ \left(\frac{B+E}{2} \right) \div \text{revenue} \right\} \times \begin{matrix} 365 \text{ days for a year} \\ \text{(or 152 days for a five-month period)} \end{matrix}$$

Where B = beginning balance of accounts receivable for the year/period

E = ending balance of accounts receivable for the year/period

FINANCIAL INFORMATION

Prepayments, deposits and other receivables

The following table sets forth a breakdown of our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December		As at 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
<i>Non-current</i>			
Prepayments for renovation for properties held for sale	—	22,923	21,249
Deposit of purchase of property, plant and equipment	—	3,500	—
Sub-total	—	26,423	21,249
<i>Current</i>			
Prepayments			
— Renovation for properties held for sale	—	13,404	13,559
— Prepaid rental for sales and leaseback transactions	2,440	1,835	1,561
— Listing expenses	1,634	4,838	7,618
— Others	1,153	1,383	5,751
Sub-total	5,227	21,460	28,489
Other receivables			
— Non-recurring in nature	1,090	—	—
— Recurring in nature	2,883	2,544	3,076
Sub-total	3,973	2,544	3,076
Deposits	1,322	1,607	4,688
Total	<u>10,522</u>	<u>52,034</u>	<u>57,502</u>

Our prepayments primarily comprised (i) prepaid renovation for properties held for sale; (ii) prepaid rental for sales and leaseback transactions; (iii) prepaid Listing expenses; and (iv) prepaid construction costs.

Our prepaid renovation for properties held for sale represented the deemed rental cost that would otherwise be payable by us but had been given up by the property owners as a result of the nil fee payment contracts (for details of the nil fee payment arrangement, please refer to the sections headed “Business — Contractual arrangement with property owners — Operation agreements” and “Business — Contractual arrangement with property owners — Difference and accounting treatments of the contractual arrangements” of this prospectus). Our prepaid renovation for properties held for sale was determined based on the rental under the lease agreements or the other operation agreements payable by us, and would be amortised over the terms of the nil fee payment contracts.

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Our prepaid rentals represented the prepayments arising from sales and leaseback transactions in which we entered into with certain purchasers regarding the sale of our certain properties. The prepaid rentals would be amortised to profit or loss according to the terms of the relevant lease agreements (for details of lease agreement arrangement, please refer to the section headed “Business — Lease agreements” of this prospectus).

Our deposit of purchase of property, plant and equipment mainly represented the prepayments of the construction costs for our main avenue leading to our main entrance as well as landscaping work at various places of our *Gudou Hot Spring Resort*.

Our other receivables primarily comprised (i) advances to employees for our business operations; and (ii) non-recurring advances to certain of our suppliers, staff and Controlling Shareholder’s acquaintances and their respective affiliates. Our non-recurring other receivables were fully settled in 2015.

The increase in our prepayments, deposits and other receivables from approximately RMB10.5 million as at 31 December 2014 to approximately RMB52.0 million as at 31 December 2015 was primarily attributable to an increase in our prepayments, which was mainly resulted from advanced payments to contractors for the renovation work of those units of our *Mountain Seaview Vacation Apartments* under the “nil fee payment” operation agreements and deposit placed for the construction of the main avenue leading to our main entrance as well as landscaping work at various places of our *Gudou Hot Spring Resort* in 2015.

The increase in our prepayments, deposits and other receivables to approximately RMB57.5 million as at 31 May 2016 was primarily attributable to (i) an increase in our prepayments mainly due to increased prepaid Listing expenses and advertising expenses; and (ii) an increase in our deposits for maintenance of hotel facilities.

Due from a related party

Our amounts due from a related party included a loan of approximately RMB0.6 million as at 31 December 2014 to Mr. Wang Jun, the vice president of Guangdong Gudou. The loan was unsecured, repayable on demand and interest-free.

As at 31 December 2015, the loan to Mr. Wang Jun had been fully settled.

Due from related companies

As at 31 December 2014, our amounts due from related companies included advances of an aggregate amount of approximately RMB23.8 million to companies in which Mr. Hon had beneficial interests (“**Mr. Hon’s Companies**”). Please refer to the Accountant’s Report in Appendix I to this prospectus for details of our amounts due from related companies.

The advances to Mr. Hon’s Companies resulted from the allocation of funds among the private group of companies controlled by our Controlling Shareholder. The advances to Mr. Hon’s Companies were fully settled as at 31 December 2015.

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Due from our Controlling Shareholder

Our amount due from our Controlling Shareholder represented the advances to Mr. Hon, amounting to approximately RMB1.9 million as at 31 December 2014. Such amount was unsecured, interest-free, and repayable on demand. The amount due from Mr. Hon was fully settled in July 2015.

Restricted bank deposits

We had restricted bank deposits of approximately RMB14.9 million, RMB9.8 million and RMB3.6 million as at 31 December 2014 and 2015 and 31 May 2016, respectively, due to the pre-sale of tourism properties under our *Mountain Seaview Vacation Apartments* in 2014 and *Joyful Apartments* in 2015 and the first five months of 2016. In accordance with the Administration of Pre-sale of Commodity Premises Regulations of Guangdong Province, we are required to place in designated bank accounts certain amount of our pre-sale proceeds of properties as guarantee deposits for construction of related properties. The deposits can only be used for purchases of construction materials and the payments of construction costs of the relevant property projects when approval from the PRC State-Owned Land Resources and Housing Administrative Bureau is obtained. Such guarantee deposits will only be released after completion of pre-sale of related properties.

The proceeds from the pre-sale of tourism properties under our *Mountain Seaview Vacation Apartments* that comprised our restricted bank deposits in 2014 remained so as at the end of the year even though the units were delivered to our customers at the end of 2014 because (i) the tourism properties were delivered to our customers in bare shell and at a stage where the landscaping and finishing was still on progress; and (ii) the restricted bank deposits would only be released when the full site of our *Mountain Seaview Vacation Apartments* was completed, which means that only after the landscaping and finishing work was completed would the restricted bank deposits be released.

We had restricted bank deposits of approximately RMB43.3 million as at 31 May 2016 as pledged bank deposits for our bank borrowings.

Bank and cash balances

As at 31 December 2014 and 2015 and 31 May 2016, our bank and cash balances were denominated in RMB and HKD which amounted to approximately RMB17.9 million, RMB32.6 million and RMB14.6 million, respectively. Please refer to the sub-section headed “Liquidity and capital resources” in this section for reasons of the increase in our bank and cash balances.

Accounts payable

Our accounts payable represented the outstanding purchase costs of hotel consumables, food and beverage and other costs to be paid to the suppliers of our hot spring resort and hotel operations, and the outstanding construction and renovation costs to be paid to the construction contractors of our tourism property development. Our accounts payable were unsecured and interest-free. We usually recover a credit period of around 30 to 90 days for general suppliers. For our construction contractors, our payment is usually settled by instalments according to progress of construction.

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As at the Latest Practicable Date, we had settled approximately 50.8% (or approximately RMB16.9 million) of our accounts payable as at 31 May 2016.

The following table sets forth a breakdown of our accounts payable by our business segment as at the dates indicated:

	As at 31 December		As at 31 May
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hot spring resort and hotel operations	13,982	16,665	16,304
Tourism property development	37,298	10,034	16,885
	<hr/>	<hr/>	<hr/>
Total	51,280	26,699	33,189
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Our accounts payable decreased from 31 December 2014 to 31 December 2015 primarily due to our progressive settlement of construction and renovation costs in respect of our *Mountain Seaview Vacation Apartments* payable to the contractors during 2015.

Our accounts payables increased from 31 December 2015 to 31 May 2016 was primarily due to the increase in our construction costs in respect of our certain tourism property projects under development.

The following table sets forth the ageing analysis of our accounts payable as at the dates indicated:

	As at 31 December		As at 31 May
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Up to 90 days	27,032	12,948	18,829
91 to 180 days	3,854	4,301	6,194
181 to 365 days	1,030	5,626	4,482
1 to 2 years	18,135	250	1,254
Over 2 years	1,229	3,574	2,430
	<hr/>	<hr/>	<hr/>
Total	51,280	26,699	33,189
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2014, approximately RMB18.1 million of our accounts payable was aged between one to two years mainly attributable to renovation costs for those tourism properties under our *Baden Town Villas* which were sold and delivered in 2013, for which we had not settled as at 31 December 2014 as a result of our continuing business relationship with the contractors.

The turnover days of our accounts payable decreased from approximately 151.5 days for the year ended 31 December 2014 to approximately 131.9 days and 115.8 days for the year ended 31 December 2015 and the five months ended 31 May 2016, respectively, mainly due to the foregoing reasons for the decrease in our average accounts payable. The decrease in our average accounts payable was primarily due to a relatively lower balances of accounts payable as at the 31 December 2015 and 31 May 2016 (as compared to 31 December 2014), mainly because of our

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progressive settlement of construction costs and renovation costs for our tourism properties under our *Mountain Seaview Vacation Apartments*, contributing to a decreasing trend of our average accounts payable. Our accounts payable turnover days are calculated using the following formula:

$$\text{Accounts payable turnover days} = \left\{ \left(\frac{B+E}{2} \right) \middle| \text{cost of sales} \right\} \times \begin{matrix} 365 \text{ days for a year} \\ \text{(or 152 days for a five-month period)} \end{matrix}$$

Where *B* = beginning balance of accounts payable for the year/period

E = ending balance of accounts payable for the year/period

Proceeds received from pre-sale of properties

We had proceeds received from pre-sale of properties of approximately RMB0.7 million, RMB5.4 million and RMB44.2 million as at 31 December 2014 and 2015 and 31 May 2016, respectively. Such proceeds received from pre-sale of properties represented proceeds received from purchasers of tourism properties under our *Mountain Seaview Vacation Apartments* in 2014 and our *Joyful Apartments* in 2015 and the first five months of 2016 who only settled the down-payment, with delivery of the units pending full payment.

Proceeds received from pre-sale of properties have not yet been recognised as our revenue in accordance with our revenue recognition policy and are expected to be recognised as revenue within one year.

Accruals and other payables

The following table sets forth a breakdown of our accruals and other payables as at the dates indicated:

	As at 31 December 2014 RMB'000	2015 RMB'000	As at 31 May 2016 RMB'000
Receipts in advance from customers	8,080	12,856	12,662
Other payables			
— Advances from PRC government	18,000	18,000	18,000
— Others	7,649	7,092	7,384
Sub-total	<u>25,649</u>	<u>25,092</u>	<u>25,384</u>
Accruals			
— Staff costs	3,236	3,900	3,131
— Other tax payables	8,547	6,400	7,366
— Listing expenses	1,242	2,237	3,670
— Others	9,418	9,003	8,962
Sub-total	<u>22,443</u>	<u>21,540</u>	<u>23,129</u>
Total	<u><u>56,172</u></u>	<u><u>59,488</u></u>	<u><u>61,175</u></u>

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Our accruals and other payables primarily comprised (i) receipts in advance from customers; (ii) accruals; and (iii) other payables. Our receipts in advance mainly represented advanced payments from travel agencies. We in particular require advanced payments from new travel agency customers. Our accruals mainly represented accrued property sales-related tax (excluding LAT), outstanding staff costs, Listing expenses and other expenses. Our other payables mainly represented subsidies from the PRC government for the enhancement of our facilities (while the conditions for the recognition of the government subsidies as income have not yet been fulfilled), construction fees in relation to our property, plant and equipment and deposits paid by travel agencies and lessees of commercial stores.

Our accruals and other payables increased from approximately RMB56.2 million as at 31 December 2014 to approximately RMB59.5 million and RMB61.2 million as at 31 December 2015 and 31 May 2016, respectively, mainly due to an increase in our receipts in advance from customers primarily as a result of a relatively larger amount of deposits received from our customers for the purchase of our *Joyful Apartments* before formal sales contracts signed.

Due to a related party

Our amount due to a related party represented the advances by an affiliate of Mr. Hon for our general working capital to finance our operations, amounting to approximately RMB17.8 million as at 31 December 2014. Such amount was unsecured, interest-free and repayable on demand. Our amount due to a related party was fully settled as at 31 December 2015.

Current tax liabilities

Our current tax liabilities mainly comprised our LAT payable arising from our sale of tourism properties during the Track Record Period. Our current tax liabilities increased from approximately RMB9.0 million as at 31 December 2014 to approximately RMB13.0 million as at 31 December 2015 mainly due to our settlement of income taxes of approximately RMB5.2 million during 2015, with LAT of approximately RMB9.2 million having been incurred for the same period. Our current tax liabilities decreased to approximately RMB10.4 million as at 31 May 2016 mainly due to our settlement of LAT of approximately RMB3.6 million during the five months ended 31 May 2016, with LAT of approximately RMB1.0 million having been incurred for the same period.

The significantly greater amount of outstanding current tax liabilities of approximately RMB9.0 million and RMB13.0 million as at 31 December 2014 and 2015, respectively, as compared to our income tax payment of approximately RMB5.2 million and RMB3.6 million for the years ended 31 December 2014 and 2015, respectively, was primarily attributable to an increase in our LAT payable arising from the sale of our *Mountain Seaview Vacation Apartments* due to the timing difference between the provision for LAT and the settlement of LAT to the PRC local tax authorities.

We made provision for LAT in respect of the sale of our *Mountain Seaview Vacation Apartments* upon recognition of revenue from tourism property sales at the progressive rates of 30% to 60% on the appreciation of land value. However, as required by the local tax authorities in the PRC, we are only required to pay at LAT rates of 3.5% to 6% of the pre-sale and sale proceeds of our tourism property development projects during the Track Record Period. Under the applicable LAT rules and regulations, a real estate developer shall settle and clear the LAT

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payment of its development projects that meet certain criteria set by the tax authorities in accordance with the applicable LAT rates (such as when a real estate development project has been completed and fully sold). Since we had not met such criteria for LAT clearance as set out in the relevant LAT rules and regulations as at 31 December 2014 and 2015, we were not required to settle and clear the final LAT payable in respect of our *Mountain Seaview Vacation Apartments*. Thus, the tax payments for the years ended 31 December 2014 and 2015 were significantly lower than our current tax liabilities as at 31 December 2014 and 2015 which caused a significant amount of our current tax liabilities outstanding for more than a year. Our Group is currently finalising the LAT filing with the relevant tax authority and the relevant LAT tax amounts will be settled after the LAT clearance.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity requirements primarily related to capital expenditures, working capital needs and debt services. During the Track Record Period, we funded our growth principally from cash generated from our operations and borrowings. Going forward, we expect cash generated from our operations, bank borrowings and the proceeds from the Placing to be our principal sources of liquidity. In the future, if our capital expenditures or other long-term commitments increase, or if we need significant financing for business acquisitions, we may decide to incur additional equity or debt financing, depending on our financial condition as well as other uncertainties such as the economic, political and other conditions in the PRC and elsewhere at the time. The issue of additional equity or equity-linked securities may result in additional dilution to our Shareholders.

We seek to manage our working capital to monitor collection and deployment of our funds, and to ensure the availability of sufficient cash flows to meet unexpected cash requirements arising from our business. We have adopted capital management policies under which we closely regulate and monitor, among other things, our cash and bank account management, cash inventory control system, payment and settlement terms, and loan procedures.

In general, we prepare, on a regular basis, cash flow and funding summaries and budgets with a view to conducting financial planning in advance and monitoring our cash flows, ensuring our working capital sufficiency and maximising utilisation of our capital resources. In order to facilitate our preparation of cash flow and funding summaries, each of our employees at relevant business points (such as our themed hotels, *Natural Spring Waterpark* and restaurants) are required to clear the amount of reserved cash handled by him or her, and subsequently record on and sign-off a confirmation at the end of each shift of each day. Our Directors and senior management hold regular meetings to review our periodic operating budgets.

Our indebtedness and finance costs increased relatively substantially during the Track Record Period. Our interest-bearing borrowings amounted to approximately RMB429.8 million, RMB585.6 million and RMB581.1 million as at 31 December 2014 and 2015 and 31 May 2016, respectively. For the Track Record Period, our finance costs were approximately RMB23.7 million, RMB46.4 million and RMB16.5 million, respectively. Our relatively high level of indebtedness exposes us to significant risks, as discussed in the section headed “Risk factors — Risks relating to our business in general — Our indebtedness and the conditions and covenants imposed on us by our loan agreements could materially and adversely affect our business and results of operations” of this prospectus. Nonetheless, our level of indebtedness and finance costs is expected to reduce substantially after the Listing. For illustrative purpose, our gearing ratio would decrease from approximately 3.8 as at 31 May 2016 to approximately 1.0 upon the Listing as if the Listing took place on 31 May 2016.

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The PRC government has in recent years introduced numerous policy initiatives in the financial sector to tighten the requirements for lending to or otherwise restricting the availability of funding for property developers, as discussed in the section headed “Risk factors — Risks relating to our business in general — More stringent PRC requirements affecting funding for property developers may affect our ability to obtain capital resources for our tourism property development on commercially reasonable terms, or at all” of this prospectus. Despite that, our Directors consider that we maintain good credit history and a good relationship with our creditors and therefore, has the ability to obtain bank borrowings to finance capital requirements if necessary. During the Track Record Period, we were able to refinance by drawing down new bank borrowings. During the period from 1 January 2016 to 31 May 2016, we raised new loans of approximately RMB43.8 million from banks. Further, the Listing will enable our Company to have access to the equity market, thus widening the financing channels available and increasing our financing ability. In view of the foregoing, our Directors believe that we will be able to raise funds from the debt and equity market to finance our expansion plans and that with a combination of net proceeds from the Placing, internally generated funds, available banking facilities and our capital management, our Directors are of the view that we will have sufficient financial resources to satisfy our working capital and capital expenditure requirements after the Listing.

Cash flows

The following table sets forth a summary of our consolidated cash flow statements for the periods indicated:

	For the year ended		For the five months ended	
	31 December		31 May	
	2014	2015	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from/ (used in) operating activities	41,097	(2,924)	(56,539)	30,497
Net cash used in investing activities	(25,301)	(91,607)	(11,616)	(24,983)
Net cash (used in)/generated from financing activities	(7,817)	108,621	89,893	(22,584)
Net increase/(decrease) in cash and cash equivalents	<u>7,979</u>	<u>14,090</u>	<u>21,738</u>	<u>(17,070)</u>
Cash and cash equivalents at the end of the year/period	<u>17,939</u>	<u>32,599</u>	<u>40,498</u>	<u>14,622</u>

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The following table demonstrates a summary of our adjusted cash flows from operating activities before changes in working capital after excluding Listing expenses recognised in the profit or loss for the periods indicated:

	For the year ended 31 December		For the five months ended 31 May	
	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows generated from/ (used in) operating activities before changes in working capital	62,774	40,575	1,806	(914)
Add:				
Listing expenses (only profit or loss portion)	4,901	8,768	5,062	7,965
Adjusted cash flows generated from operating activities before changes in working capital	67,675	49,343	6,868	7,051

As shown in the table above, we are able to meet the minimum cash flow requirements under Rule 11.12A of GEM Listing Rules.

Net cash generated from/(used in) operating activities

Our net cash generated from operating activities was mainly derived from the payments received from hotel operations, catering and ancillary services, ticket sales of our hot spring facilities and *Natural Spring Waterpark* as well as proceeds from the sale of our tourism properties. Cash used in operating activities was mainly for F&B costs, labour costs, rental payment for villas as well as construction costs. Net cash inflow was generated from operating activities for the years ended 31 December 2014 which was mainly attributable to our ability to operate our business profitably.

For the year ended 31 December 2014, we had net cash generated from operating activities of approximately RMB41.1 million. Such amount derived from our profit before tax of approximately RMB82.8 million, mainly adjusted by (i) finance costs of approximately RMB23.7 million mainly due to the obtaining of our interest-bearing borrowings; (ii) depreciation of property, plant and equipment of approximately RMB15.2 million; (iii) increase in accounts payable of approximately RMB16.1 million mainly due to the construction of our tourism properties under our *Mountain Seaview Vacation Apartments*; and (iv) increase in accruals and other payables of approximately RMB18.3 million mainly as a result of property sales-related tax (excluding LAT) that arose from sales of tourism properties under our *Mountain Seaview Vacation Apartments*, partially offset by (i) fair value gains of approximately RMB59.1 million primarily as a result of the rise of property market price; and (ii) increase in properties held for sale of approximately RMB38.6 million primarily attributable to the completion of the construction of units under our *Mountain Seaview Vacation Apartments* towards the end of 2014.

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For the year ended 31 December 2015, we had net cash used in operating activities of approximately RMB2.9 million. Such amount derived from our loss before tax of approximately RMB0.3 million, mainly adjusted by (i) increase in prepayments, deposits and other receivables of approximately RMB39.1 million primarily attributable to advanced payments to contractors for the renovation work of those units of our *Mountain Seaview Vacation Apartments* under the “nil fee payment” operation agreements during 2015; (ii) decrease in accounts payable of approximately RMB24.6 million primarily attributable to our progressive settlement of construction and renovations costs in respect of our *Mountain Seaview Vacation Apartments* payable to the contractors during 2015; and (iii) fair value gains of approximately RMB21.3 million primarily as a result of the rise of property market price, partially offset by (i) finance costs of approximately RMB46.4 million primarily attributable to interest expenses and early repayment charges on our bank borrowings and the incurring of finance costs under shareholders’ loans and puttable shares from the second half of 2014 as a result of the Pre-IPO Investments; and (ii) decrease in properties held for sale of approximately RMB23.4 million primarily attributable to the sale of tourism properties under our *Mountain Seaview Vacation Apartments* and *Baden Town Villas* during 2015.

For the five months ended 31 May 2016, we had net cash generated from operating activities of approximately RMB30.5 million. Such amount derived from our loss before tax of approximately RMB19.9 million, mainly adjusted by (i) finance costs of approximately RMB16.5 million primarily from our bank borrowings and the incurring of liabilities under shareholders’ loans and puttable shares; (ii) decrease in accounts receivable of approximately RMB21.5 million mainly due to the settlement of outstanding payments for the tourism properties under our *Mountain Seaview Vacation Apartments*; and (iii) increase in proceeds received from pre-sale of properties of approximately RMB38.8 million mainly due to the pre-sale of our *Joyful Apartments*, partially offset by (i) increase in properties held for sale of approximately RMB21.0 million primarily attributable the construction of our *Joyful Apartments* and *Mountain Seaview Vacation Residence* and transfer of land from investment properties for the construction of tourism properties after obtaining the town planning approval notice* (村鎮規劃設計審批通知書) for our *Heart of Spring Apartments* in April 2016; (ii) increase in prepayments, deposits and other receivables of approximately RMB11.1 million primarily attributable to increased prepaid Listing expenses and advertising expenses, and increased deposits for maintenance of hotel facilities; and (iii) fair value gains of approximately RMB9.6 million primarily as a result of the rise of property market price.

Net cash used in investing activities

For the year ended 31 December 2014, net cash used in investing activities was approximately RMB25.3 million, primarily due to (i) increase in restricted bank deposits of approximately RMB14.9 million due to the pre-sale of tourism properties under our *Mountain Seaview Vacation Apartments*; (ii) interest paid and capitalised in investment properties and property, plant and equipment of approximately RMB1.2 million; (iii) purchase of property, plant and equipment of approximately RMB8.7 million; and (iv) increase in investment properties of approximately RMB0.6 million. The foregoing movement and changes principally related to the additions to our property, plant and equipment and investment properties, such as construction of land and properties under development over the course of 2014.

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For the year ended 31 December 2015, net cash used in investing activities was approximately RMB91.6 million, primarily due to (i) increase in restricted bank deposits of approximately RMB39.6 million primarily attributable to an amount of approximately RMB44.7 million of bank deposits were pledged for our borrowings; (ii) interest paid and capitalised in investment properties and property, plant and equipment of approximately RMB1.4 million; (iii) deposit of purchase of property, plant and equipment of approximately RMB3.5 million; and; (iv) purchase of property, plant and equipment of approximately RMB47.7 million, partially offset by proceeds from disposal of a subsidiary to an employee of approximately RMB0.4 million. The foregoing movement and changes (other than proceeds from disposal of a subsidiary and increase in restricted bank deposits) principally related to the additions to our investment properties and property, plant and equipment, such as enhancement work.

For the five months ended 31 May 2016, net cash used in investing activities was approximately RMB25.0 million, primarily due to (i) interest paid and capitalised in investment properties and property, plant and equipment of approximately RMB0.5 million; and (ii) purchase of property, plant and equipment of approximately RMB32.1 million, partially offset by decrease in restricted bank deposits of approximately RMB7.6 million.

Net cash (used in)/generated from financing activities

For the year ended 31 December 2014, net cash used in financing activities was approximately RMB7.8 million, primarily attributable to (i) decrease in other payables of approximately RMB303.9 million; (ii) decrease in amount due to our Controlling Shareholder of approximately RMB75.4 million; (iii) repayment of trust financing arrangement of approximately RMB34.4 million; and (iv) repayment of bank and other loans of approximately RMB26.9 million, partially offset by (i) decrease in other receivables of approximately RMB134.0 million; (ii) decrease in amounts due from related companies of approximately RMB155.5 million; and (iii) bank and other loans raised of approximately RMB64.8 million. The foregoing movement and changes principally related to our additional financing, interest payment and other financing costs over the course of 2014.

For the year ended 31 December 2015, net cash generated from financing activities was approximately RMB108.6 million, primarily attributable to (i) bank and other loans raised of approximately RMB425.1 million; and (ii) decrease in amounts due from related companies of approximately RMB23.3 million, partially offset by (i) repayment of trust financing arrangement of approximately RMB193.7 million; (ii) repayment of bank and other loans of approximately RMB103.9 million; and (iii) decrease in amount due to a related party of approximately RMB17.8 million. The foregoing movement and changes principally related to our additional financing, interest payment, other financing costs over the course of 2015.

For the five months ended 31 May 2016, net cash used in financing activities was approximately RMB22.6 million, primarily attributable to (i) repayment of bank and other loans of approximately RMB58.9 million; and (ii) interest payment of approximately RMB7.5 million, partially offset by bank and other loans raised of approximately RMB43.8 million. The foregoing movement and changes principally related to our additional financing, interest payment, other financing costs over the course of the first five months of 2016.

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Working capital

Taking into account the financial resources to our Group, including internally generated funds from our operating activities, available banking facilities and other borrowings, and the estimated net proceeds from the Placing, our Directors are of the opinion that our Group has sufficient working capital for at least the next 12 months from the date of this prospectus.

Our Directors confirm that we did not have any material default in payment of trade and non-trade payables, bank borrowings and other debt financing obligations and/or breaches of finance covenants during the Track Record Period.

Net current liabilities

The following table sets forth a breakdown of our current assets and current liabilities as at the dates indicated:

	As at 31 December		As at 31 May	As at 30 September
	2014	2015	2016	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets				
Properties held for sale	59,219	36,923	76,152	90,365
Inventories	3,574	3,261	3,560	3,522
Accounts receivable	36,948	42,567	21,032	15,447
Prepaid land lease payments	326	326	326	326
Prepayments, deposits and other receivables	10,522	25,611	36,253	43,728
Due from a related party	605	—	—	—
Due from our Controlling Shareholder	1,874	—	—	—
Due from related companies	23,805	—	—	—
Restricted bank deposits	14,895	54,489	46,896	106,906
Bank and cash balances	17,939	32,599	14,622	20,401
	<u>169,707</u>	<u>195,776</u>	<u>198,841</u>	<u>280,695</u>
Current liabilities				
Accounts payable	(51,280)	(26,699)	(33,189)	(42,109)
Proceeds received from pre-sale of properties	(738)	(5,406)	(44,210)	(62,031)
Accruals and other payables	(56,172)	(59,488)	(61,175)	(65,098)
Borrowings	(92,567)	(106,834)	(89,113)	(160,906)
Due to a related party	(17,797)	—	—	—
Loans from shareholders	—	(59,198)	—	—
Puttable shares	—	(106,559)	—	—
Current tax liabilities	(8,959)	(12,971)	(10,382)	(11,533)
	<u>(227,513)</u>	<u>(377,155)</u>	<u>(238,069)</u>	<u>(341,677)</u>
Net current liabilities	<u>(57,806)</u>	<u>(181,379)</u>	<u>(39,228)</u>	<u>(60,982)</u>

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The net current liabilities positions as at 31 December 2014 and 2015 and 31 May 2016 were mainly attributable to the uses of short-term borrowings to finance the continued development and construction of our property, plant and equipment which are non-current in nature.

Our net current liabilities increased from approximately RMB57.8 million as at 31 December 2014 to approximately RMB181.4 million as at 31 December 2015 mainly attributable to the reclassification of our loans from shareholders and puttable shares from non-current liabilities to current liabilities due to the maturity dates. Our shareholders' loans will be repaid in full by the net proceeds from the Placing, while the puttable shares will be reclassified to equity upon Listing.

Our net current liabilities decreased to approximately RMB39.2 million and RMB61.0 million as at 31 May 2016 and 30 September 2016, respectively, primarily attributable to the reclassification of our loans from shareholders and puttable shares from current liabilities to non-current liabilities as we have extended the maturity dates for further 24 months.

Following completion of the Placing, our Directors believe that we will have sufficient cash resources to satisfy our present working capital and capital expenditure requirements with a combination of net proceeds from Placing, cash generated from our operations and borrowings from existing banking facilities. The Sponsor has reviewed the working capital forecast of our Company and based on our current and anticipated growth levels of operations after taking into account factors including the expected business growth resulting from the anticipated economic growth in the PRC and the continued expansion of our hotel portfolio, the expected profits generated from the operation, the expected net proceeds from the Placing, the unutilised banking facility available to us and our positive cash flow during the Track Record Period, concurs with our Directors' view that we will have sufficient working capital for our present working capital requirements for at least the next 12 months from the date of this prospectus. Our Directors will monitor on a regular basis our liquidity requirements to ensure that sufficient resources of cash and cash equivalents are maintained.

INDEBTEDNESS

Interest-bearing borrowings

During the Track Record Period, all our borrowings were denominated in RMB and HKD. Our borrowings were primarily incurred by our operating subsidiaries within the PRC from PRC commercial banks and a trust financing company. The following table sets forth our interest-bearing borrowings as at the dates indicated:

	As at 31 December		As at 31 May	As at 30
	2014	2015	2016	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans	103,678	419,826	404,384	462,794
Trust financing arrangement	188,251	—	—	—
Loans from shareholders	48,795	59,198	63,039	66,581
Puttable shares	89,100	106,559	113,657	120,104
	<hr/>	<hr/>	<hr/>	<hr/>
Total	429,824	585,583	581,080	649,479
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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Our interest-bearing borrowings were repayable as follows:

	As at 31 December		As at 31 May	As at 30
	2014	2015	2016	September
	RMB'000	RMB'000	RMB'000	2016
				RMB'000
On demand or within one year	92,567	272,591	89,112	160,906
In the second year	180,876	39,456	205,534	241,535
In the third to fifth year, inclusive	156,381	140,017	167,816	135,856
After five years	—	133,519	118,618	111,182
Total	429,824	585,583	581,080	649,479

Proceeds from our interest-bearing borrowings were primarily used for capital expenditures, working capital and operating expenses.

The following table sets forth the average interest rates of our interest-bearing borrowings as at the dates indicated:

	As at 31 December		As at 31 May	As at 30
	2014	2015	2016	September
	%	%	%	2016
				%
Short-term bank loans (floating rate)	7.45	4.80	5.18	6.72
Short-term bank loans (fixed rate)	N/A	4.79	4.79	4.79
Long-term bank loans (floating rate)	8.13	5.81	5.63	4.39
Trust financing arrangement (floating rate)	8.46	N/A	N/A	N/A
Long-term bank loans (fixed rate)	N/A	7.19	7.19	7.19
Loans from shareholders	15.0	15.0	15.0	15.0
Puttable shares	15.0	15.0	15.0	15.0

As at 30 September 2016, being the latest practicable date for the purpose of this indebtedness statement, we had banking facilities in the aggregate sum of approximately RMB525.6 million, of which approximately RMB62.8 million had not been utilised and approximately RMB462.8 million had been utilised. To the best knowledge and belief of our Directors, we will not have difficulties in obtaining new banking facilities after the Placing.

Up to 18 November 2016, we have further drawn down bank loans of approximately RMB38.8 million from our available banking facilities and obtained new bank loans of approximately RMB85.3 million with additional pledged deposits of RMB57.0 million.

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Bank loans

Our bank borrowings were secured by guarantees issued by our subsidiaries, personal guarantees of Mr. Hon and Mrs. Hon, a property owned by Mr. Hon and Mrs. Hon, a property owned by a connected person (in particular, a company held by Mrs. Hon), properties owned by third parties and the pledges of our assets with aggregate carrying amount of approximately RMB118.1 million, RMB517.3 million, RMB420.8 million and RMB475.3 million as at 31 December 2014 and 2015, 31 May 2016 and 30 September 2016, respectively. As at 30 September 2016, Mr. Hon and Mrs. Hon had provided personal guarantees and had pledged certain properties owned by them to secure certain of our bank borrowings which amounted to approximately RMB16.2 million in aggregate, such loans accounted for approximately 3.5% of the total outstanding loans. As at 30 September 2016, Mr. Hon had also provided a personal guarantee to secure bank borrowings of our Group which amounted to approximately RM55.5 million. We had received letters from the lending banks that all guarantees provided by Mr. Hon and Mrs. Hon and the charges on properties owned by them will be fully released upon Listing.

In addition, 12 tourism properties that had been pledged (“**Pledged Properties**”) to a creditor to secure our borrowings were tourism properties under *Baden Town Villas* that were subsequently sold to our customers. We had obtained consent from the creditor for the sale of these tourism properties. Pursuant to the relevant sale and purchase agreements in relation to these tourism properties, we had to submit the relevant requisite documents required for the issuance of the relevant building ownership certificates to the property registration department within six months from the delivery of the properties. However, we had pledged the relevant properties to secure our debt created an impediment in preparing and submitting an application pack that included all the documents required for the issuance of the relevant building ownership certificate to the property registration department. The pledge of the relevant tourism properties will have to be released before we can transfer the clean and unencumbered ownership title to these units to the relevant customers, after which the building ownership certificate in the name of the relevant customers can be obtained. All relevant pledges were released by June 2015. Given the aforesaid, our PRC Legal Advisers confirm that there will be no legal impediment in obtaining the building ownership certificates. We have completed our obligation within the time limit stipulated in the relevant agreements. As advised by our PRC Legal Advisers, since we repaid the borrowings on time, the creditor had released the pledges, and we had submitted the relevant requisite documents required for the issuance of the building ownership certificates within the time limit stipulated in the relevant agreement, we are not in breach of the relevant sale and purchase agreements.

Of these Pledged Properties, six are subject to operation agreements and none are subject to lease agreements. Pursuant to PRC law and as advised by our PRC Legal Advisers, none of them was classified as leased properties of our Group. The six operation agreements do not offer fixed monthly payments to the property owners. Our PRC Legal Advisers advised that the purchasers may enter into the relevant operation agreements with us in the capacity as legal occupants of the Pledged Properties, who are entitled to occupy and use as well as to enjoy the benefits arising from the properties, after the delivery of the properties to the purchasers in accordance with the terms of the sale and purchase agreements.

Our Directors consider that the revenue in respect of the Pledged Properties was recognised during the Track Record Period upon satisfying all of the criteria under HKAS 18.

Our Directors consider it consistent with the relevant accounting standards to recognise revenue attributable to the Pledged Properties when they were delivered to the purchasers. The revenue recognised by us that was attributable to the Pledged Properties amounted to approximately RMB35.3 million, nil and nil for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016, respectively.

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The following sets out a summary of the material covenants of our outstanding bank borrowings from the PRC commercial banks as at the Latest Practicable Date:

- the borrowings may not be used for investment in securities and futures market and in certain loans, the loan proceeds is only for specific use, such as repayment of outstanding financing and resort landscaping upgrade;
- the borrower shall obtain consent from the creditor before any merger, division, capital reduction, equity transfer, material assets and liabilities transfer, material external investment, significant increase in debt financing or any other significant event which may affect its performance of obligations under the loan agreement;
- the borrower shall not pay any dividend or other distribution without the creditor's prior consent before repaying the outstanding principal and interest of the borrowing and other payables;
- the borrowing shall not be prepaid unless with the consent of the creditor or with a fixed charge; and
- the borrower shall obtain consent from the creditor before obtaining further financing or providing any guarantee in favour of any third party or creating or imposing any lien, charge or encumbrance on any material property or asset for the benefit of any third party, which may affect its performance of obligations under the loan agreement.

Our outstanding bank borrowings from Hong Kong commercial bank as at the Latest Practicable Date do not contain any material covenants.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had no material default with regard to covenants and/or breaches of covenants under our bank borrowings. In addition, our Directors confirm that there are no material covenants in our existing bank borrowings that impose a substantial limitation on our ability to obtain further financing.

Trust financing arrangement

In addition to bank loans, we also obtained alternative financing from a trust financing arrangement during the Track Record Period. Trust financing arrangement represented borrowing received from a trust financing company. The substance of the trust financing arrangement is borrowing, with the right on revenue of hotels and resort operation transferred to the trust financing company as collateral.

We entered into a trust financing agreement in the principal amount of RMB270 million with ChangAn International Trust Co., Ltd.* (長安國際信託股份有限公司) (“**ChangAn Trust**”) with a term of eight years effective from 1 February 2012.

Our borrowing from trust financing arrangement was approximately RMB188.3 million as at 31 December 2014. As at 20 January 2015, we had fully repaid the principal amount and accrued interest under such trust financing arrangement.

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To the best of our Directors' knowledge, compared to bank loans, trust financings offer greater flexibility in terms of availability and tenor. While utilisations on bank loans usually depend on actual construction progress, utilisations on trust financings may be made in single or multiple drawdowns as agreed with the relevant trust financing companies. To the best of our Directors' knowledge, ChangAn Trust is an Independent Third Party.

During the Track Record Period and before our full repayment of the principal amount and accrued interest, we had not defaulted on our repayments or any other obligations in any material respect under the aforesaid trust financing arrangement with ChangAn Trust.

During the terms of our trust financing arrangement, we had not defaulted on our repayments or other obligations in any material respect under our loan agreements. We do not expect the recent global financial market volatility or credit tightening in the PRC to materially affect our ability to obtain external financing going forward.

Annual interest rate

The annual interest rate under the aforesaid trust financing arrangement was floating in nature and was calculated as follows:

Before 20 December 2012:

PBOC lending rate for term loans above 5 years x 1.1 + 0.9%

After 20 December 2012:

PBOC lending rate for term loans above 5 years + 0.7%

The actual annual interest rate under the aforesaid trust financing arrangement was 8.655% from 1 February 2012 to 20 December 2012 and 7.250% thereafter.

Collateral pledge and guarantees

The trust financing arrangement with ChangAn Trust was secured by the following:

1. Pledge of right to receive revenue generated from our hot spring resort and hotel operations
2. Pledge of land use rights and properties provided by Guangdong Gudou
3. Personal guarantee of Mr. Hon
4. Corporate guarantee of Guangdong Gudou
5. Pledge of our Group's assets with aggregate value of approximately RMB176.0 million as at 31 December 2014

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As at 20 January 2015, we had fully repaid to ChangAn Trust the principal amount and the accrued interest under the trust financing arrangement, and all the collateral pledges and guarantees provided by Guangdong Gudou and/or Mr. Hon under the aforesaid trust financing arrangement had been fully released and discharged.

Our PRC Legal Adviser is of the opinion that our trust financing arrangement set forth above complied with the applicable PRC laws and regulations.

As disclosed, as at 20 January 2015, the trust financing arrangement had been terminated following our full repayment of the principal amount and the accrued interest and all collateral pledges and guarantees under such arrangement had been released and discharged on the same date. Accordingly, as from 20 January 2015, we were no longer subject to the covenants under our trust financing arrangement. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had no material default with regard to covenants and/or breaches of covenants under our trust financing arrangement.

Loans from shareholders

During the Track Record Period, we obtained two loans of an aggregate amount of HK\$60.0 million. Both of these loans were of a principal amount of HK\$30.0 million with an interest rate of 15% per annum and repayable on or before 5 March 2016. Pursuant to two sets of deed of confirmation both dated 2 March 2016, the loans were further extended for 24 months to 5 March 2018, which is 42 months commencing from the date of the loan agreements. Both of these loans were secured by guarantees given by Mr. Hon and our Company. The lenders do not have the right to call the loan before the maturity date. During the Track Record Period and up to the Latest Practicable Date, we had not defaulted on our repayments or any obligations in any material respect under such loans. We obtained such loans for our general working capital and for the repayment of a shareholder's loan. Our Directors confirm that we will repay such loans in full upon the Listing with part of the proceeds from the Placing.

Financial guarantee

We did not have any liability under these guarantees as at 31 December 2014 and 2015, 31 May 2016, 30 September 2016 and up to the Latest Practicable Date. No provision of financial guarantee and related liabilities were provided by us as at 31 December 2014 and 2015, 31 May 2016 and 30 September 2016 as Mr. Hon had undertaken any claim by the lenders on the foregoing bank loans guaranteed by us as at the relevant dates.

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Puttable shares

The following table sets forth the movements of and the carrying amounts of our puttable shares for the periods and as at the dates indicated:

	As at 31 December		As at 31 May	As at 30
	2014	2015	2016	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the period	—	89,100	106,559	113,657
Issue of puttable shares	86,489	—	—	—
Imputed interest	2,606	11,892	5,866	4,578
Exchange difference	5	5,567	1,232	1,869
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At the end of the period	<u>89,100</u>	<u>106,559</u>	<u>113,657</u>	<u>120,104</u>

Fu An Put Option Deed

Pursuant to a share subscription agreement dated 5 September 2014, Fu An subscribed for 3,040,000 ordinary shares (which are referred as Fu An Shares) of our Company with a total subscription cash price of HK\$35.2 million (equivalent to approximately RMB27.9 million).

Pursuant to Fu An Put Option Deed, our Company granted to Wealth Promise, a wholly-owned subsidiary of Fu An and acting as its duly appointed nominee, the put option, which gives Wealth Promise the right, but not the obligation to require our Company to purchase the Fu An Shares from Wealth Promise, at any time during a period of six months from the date of expiry of 18 months immediately after the date of the Fu An Put Option Deed, at the option purchase price upon the terms and subject to the conditions thereof, if the listing of the ordinary shares of our Company does not take place within 18 months from the date of the Fu An Put Option Deed. The amount of the option purchase price is equal to the sum of the subscription amount by Fu An, being HK\$35.2 million (equivalent to approximately RMB27.9 million) plus a return calculated at the rate of 15% per annum.

Pursuant to an Amendment Deed dated 15 March 2016 entered into by our Company, Fu An, Wealth Promise and Mr. Hon (the “**Fu An Amendment Deed**”), the parties agreed that the effective period of Fu An Put Option Deed shall be further extended for 24 months to 16 March 2018 which is 42 months commencing from the date of Fu An Put Option Deed.

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DF Put Option Deed

Pursuant to Dynasty Fortune Share Purchase Agreement, Dynasty Fortune purchased 4,560,000 ordinary shares of our Company (which are referred as DF Shares) from Harvest Talent for a total purchase price of HK\$52.8 million (equivalent to approximately RMB41.8 million). Mr. Hon is the controlling shareholder of Harvest Talent. Our Company was not a party to this transaction.

Pursuant to DF Put Option Deed, our Company granted to DF Tourism, a wholly-owned subsidiary of Dynasty Fortune and acting as its duly appointed nominee, the put option, which gives DF Tourism the right, but not the obligation to require our Company to purchase the DF Shares from DF Tourism, at any time during a period of six months from the date of expiry of 18 months immediately after the date of the DF Put Option Deed, at the option purchase price upon the terms and subject to the conditions thereof, if the listing of the shares of our Company does not take place within 18 months from the date of the DF Put Option Deed. The amount of the option purchase price is equal to the sum of the subscription amount by Dynasty Fortune plus a return calculated at the rate of 15% per annum.

Pursuant to an Amendment Deed dated 15 March 2016 entered into by our Company, Dynasty Fortune, DF Tourism and Mr. Hon (the “**DF Amendment Deed**”), the parties agreed that the effective period of DF Put Option Deed shall be further extended for 24 months to 18 March 2018 which is 42 months commencing from the date of DF Put Option Deed.

GL Put Option Deed

Pursuant to Grand Luck Share Purchase Agreement, Grand Luck purchased 1,900,000 ordinary shares of our Company from Harvest Talent for a total purchase price of HK\$22.0 million (equivalent to approximately RMB17.4 million). Mr. Hon is the controlling shareholder of Harvest Talent. Our Company was not a party to this transaction.

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

Pursuant to an Amendment Deed dated 15 March 2016 entered into by our Company, Grand Luck and Mr. Hon (the “**GL Amendment Deed**”), the parties agreed that the effective period of GL Put Option Deed shall be further extended for 24 months to 11 June 2018 which is 42 months commencing from the date of GL Put Option Deed.

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In accordance with the share subscription agreement with Fu An, Dynasty Fortune Share Purchase Agreement and Grand Luck Share Purchase Agreement, our Company is required to issue and allot additional shares in according to the basis as set out in the respective share subscription agreement and share purchase agreements if our audited net profits for the year ended 31 December 2014 is less than HK\$64.0 million. We considered that the profit guarantee was highly probable to be met and hence no adjustment was made to the initial carrying amount of the puttable shares. The profit guarantee was subsequently met as our audited net profit for the year ended 31 December 2014 was greater than HK\$64.0 million.

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

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

Accordingly, as at 31 December 2014 and 2015, 31 May 2016 and 30 September 2016, we had puttable shares of approximately RMB89.1 million, RMB106.6 million, RMB113.7 million and RMB120.1 million, respectively (comprising the issuance of the puttable shares plus imputed interest, offset by the exchange difference). The finance costs amounting of approximately RMB2.6 million, RMB11.9 million, RMB5.9 million and RMB4.6 million were recognised in our profit or loss for the years ended 31 December 2014 and 2015, the five months ended 31 May 2016 and the four months ended 30 September 2016, respectively.

Disclaimer

During the Track Record Period and up to the Latest Practicable Date, except as disclosed in the paragraphs headed “Indebtedness” in this section, our Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, term loans, bank overdrafts, other borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees, banking facility or other material contingent liabilities.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, except as disclosed in the paragraphs headed “Indebtedness” in this section, there had been no material change in indebtedness, capital commitment and contingent liabilities of our Group. As at the Latest Practicable Date, our Group did not have any plans to raise any material debt financing shortly after the Placing.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES

Historical capital expenditures

Our capital expenditures mainly comprised additions of property, plant and equipment and investment properties. We incurred capital expenditures of approximately RMB9.3 million, RMB47.7 million and RMB32.1 million for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016, respectively.

Planned capital expenditures

Save for the planned usage of the net proceeds from the Placing as disclosed in “Future Plans and Use of Proceeds” of this prospectus and the additions of property, plant and equipment necessary for our business operations which will be made by our Group from time to time, our Group had no material planned capital expenditures as at the Latest Practicable Date.

We estimate that our capital expenditures for the remaining seven months ending 31 December 2016 and the year ending 31 December 2017 will be approximately RMB17.1 million and RMB6.5 million, respectively. The actual amounts of expenditures incurred may vary from the estimate for a variety of reasons, including changes in market conditions and other factors. Our ability to obtain additional funding required for increased capital expenditures in the future is subject to a variety of uncertainties including the future results of our operations, financial condition and cash flows, and economic and political and other conditions in the PRC.

CONTRACTUAL OBLIGATIONS

Capital commitments

Our Group had the following capital commitments contracted but not provided for as at the dates indicated:

	As at 31 December		As at 31 May 2016	As at 30 September 2016
	2014	2015	2016	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Construction in progress	2,190	3,989	1,990	1,990
Property, plant and equipment	25	25	—	—
Properties held for sale	—	45,448	31,661	34,640
	<u>2,215</u>	<u>49,462</u>	<u>33,651</u>	<u>36,630</u>

FINANCIAL INFORMATION

Lease commitments

Operating lease commitments — lessee

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

	As at 31 December		As at	As at 30
	2014	2015	31 May	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	7,024	3,922	4,817	4,948
In the second to fifth years inclusive	13,056	12,111	13,756	12,258
After five years	8,400	6,498	5,263	5,163
	<u>28,480</u>	<u>22,531</u>	<u>23,836</u>	<u>22,369</u>

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

Operating lease commitments — lessor

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

	As at 31 December		As at	As at 30
	2014	2015	31 May	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	262	813	683	729
In the second to fifth years inclusive	15	114	262	209
After five years	—	—	33	21
	<u>277</u>	<u>927</u>	<u>978</u>	<u>959</u>

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

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Off-balance sheet commitment and arrangements

Save as disclosed in this prospectus, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our Shares and classified as Shareholder's equity, or that are not reflected in our audited consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. Moreover, we do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

PROPERTY INTERESTS

Please refer to the section headed "Business — Properties" of this prospectus for details of our property interests.

LCH (Asia-Pacific) Surveyors Limited, an independent qualified professional surveyor, has valued our property interests, including land use rights and commercial investment properties as at 30 September 2016 and is of the opinion that the aggregate value of our property interests attributable to us as at such date was approximately RMB1,019.3 million. The full text of the letter, summary of values and valuation certificate with regard to such property interests are set out in Appendix III to this prospectus.

To assess the fair values of our investment properties, sales comparison approach was adopted by LCH (Asia-Pacific) Surveyors Limited in the valuation of our Group's investment properties by reference to recent sales prices of comparable land use rights on a price per sq.m. basis, adjusted for a premium or a discount to reflect the differences in quality (such as time and location) of our investment properties and the comparable sale transactions. The approach considers the sales, listing or offerings of similar or substitute properties and related market data to establish a value of estimate of property that a reasonable investor would have to pay for a similar property of comparable utility.

The adopted comparable land parcels (the "Comparable Land Parcels") are located at Pingsha New Town in Zhuhai City, which are about 40 k.m. driving distance from Gudou Hot Spring Resort. There is an ocean spring resort, namely CTS (HK) Group Ocean Spring Resort, located nearby the Comparable Land Parcels. The Comparable Land Parcels are vacant (same as our Group's investment properties) and are of commercial usage, which is within the same land use category as our investment properties. The average transacted price of the Comparable Land Parcels was RMB3,600 per sq.m. on GFA and adjustments have been made on time and location factors to reflect the differences between our investment properties and the Comparable Land Parcels.

Time adjustment factors were determined and adopted with reference to i) the change of land price index of the relevant area published by the Land and Resources Bureau between the respective dates of the sale transactions of the Comparable Land Parcels and the valuation date of our investment properties at a premium of approximately 13.2% to 15.5%; and ii) the difference of land lease terms of the Comparable Land Parcels and our investment properties at a discount of 0.9% to 11.8%.

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Location adjustment factor of a discount of approximately 43% was determined and adopted with reference to the difference between the respective relevant standard land prices and land price indices of Jiangmen City (where our Group's investment properties are located) and Zhuhai City (where the Comparable Land Parcels are located) published by Land and Resources Bureaus.

Following the aforesaid adjustments, the value adopted in the land valuation of our investment properties in the property valuation report set out in Appendix III to this prospectus was approximately RMB2,240 per sq.m. to RMB2,510 per sq.m. on GFA.

The table below sets forth the reconciliation between the net book value of our properties as at 31 May 2016 as extracted from the Accountant's Report set out in Appendix I to this prospectus and the appraised value of our properties as at 30 September 2016 as extracted from the property valuation report set out in Appendix III to this prospectus:

	<i>RMB'000</i>
Net book value of our properties as at 31 May 2016, as set out in the Accountant's Report in Appendix I to this prospectus	
— Properties held for own use (<i>Notes 1 and 2</i>)	109,425
— Prepaid land lease payments (<i>Note 2</i>)	8,346
— Investment properties	544,260
— Properties held for sale	76,152
	738,183
Movement of our properties from 1 June 2016 to 30 September 2016	
<i>Add:</i> Additions	25,316
<i>Less:</i> Depreciation/Amortisation	(2,507)
<i>Less:</i> Disposals	(4,961)
	756,030
Net book value of our properties as at 30 September 2016	756,030
Net valuation surplus, before tax effect	263,230
Valuation of our properties as at 30 September 2016, as set out in the property valuation report in Appendix III to this prospectus	1,019,260

Notes:

- (1) Among our property, plant and equipment amounting to an aggregate of approximately RMB246.8 million as at 31 May 2016, only the buildings and buildings under construction amounting to approximately RMB109.4 million were included in the property valuation report in Appendix III.
- (2) The buildings and buildings in progress included in our property, plant and equipment and prepaid lease payments were valued by LCH (Asia-Pacific) Surveyors Limited and the property valuation report in respect of which is set out in Appendix III to this prospectus. According to the property valuation report, such property interests of our Group as at 30 September 2016 amounted to approximately RMB270.0 million, while the aggregate carrying amount of the buildings and buildings in progress included in our property, plant and equipment and prepaid land lease payments as at 30 September 2016 was approximately RMB115.3 million. Had such property interests been stated at revaluation, additional annual depreciation and amortisation of approximately RMB15.5 million (excluding tax effect) will therefore be charged. The surplus on revaluation will not be reflected in our consolidated financial statements in subsequent years as we have elected to state our property interests at cost.

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The following table shows the accounting classification, business purpose and segment and the measurement of our owned land and properties:

Land and properties (as set out in the property valuation report)	Accounting classification of land and properties and appraised value as at 30 September 2016	Business purpose and segment	Measurement
Group I No. 1	Properties held for sale with appraised value of RMB19,250,000	Property development	Lower of cost and net realisable value
Group II No. 2, 3, 4 and 5	Property, plant and equipment and prepaid land lease payments, with appraised value of RMB21,000,000	Hotel and resort operations	Property, plant and equipment: At cost less subsequent accumulated depreciation and impairment losses, if any Prepaid land lease payments: At cost and subsequently amortised on the straight-line basis over the remaining term of the lease
	Properties held for sale with appraised value of RMB179,420,000	Property development	Lower of cost and net realisable value
Group III No. 6, 7, 8, 9, 10, 11, 12 and 13	Property, plant and equipment and prepaid land lease payments, with appraised value of RMB189,640,000	Hotel and resort operations	Property, plant and equipment: At cost less subsequent accumulated depreciation and impairment losses, if any Prepaid land lease payments: At cost and subsequently amortised on the straight-line basis over the remaining term of the lease

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Land and properties (as set out in the property valuation report)	Accounting classification of land and properties and appraised value as at 30 September 2016	Business purpose and segment	Measurement
Group IV No. 14	Investment properties with appraised value of RMB218,580,000	Hotel and resort operations	At fair value
Group V No. 15	Investment properties with appraised value of RMB332,000,000	Unallocated to any segment	At fair value
	Property, plant and equipment and prepaid land lease payments, with appraised value of RMB70,000	Hotel and resort operations	Property, plant and equipment: At cost less subsequent accumulated depreciation and impairment losses, if any
			Prepaid land lease payments: At cost and subsequently amortised on the straight-line basis over the remaining term of the lease
No. 16	Prepaid land lease payments with appraised value of RMB59,300,000	Hotel and resort operations	At cost and subsequently amortised on the straight-line basis over the remaining term of the lease

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RELATED PARTY TRANSACTIONS

For the details of our related party transactions, please see note 42 to the Accountant's Report in Appendix I to this prospectus.

Our Directors confirm that our related party transactions were conducted on arm's length basis in the ordinary and usual course of business and on normal commercial terms between the relevant parties.

LISTING EXPENSES

The estimated total Listing expenses, which is non-recurring in nature, is approximately RMB54.5 million (assuming a Placing Price of HK\$0.60 per Placing Share, being the low-end of the indicative Placing Price range). The estimated Listing expenses to be borne by the Selling Shareholder is approximately RMB0.5 million while the Listing expenses to be borne by our Group is approximately RMB54.0 million, of which approximately RMB18.1 million is directly attributable to the issue of the Placing Shares and is to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately RMB35.9 million is expected to be charged to our consolidated statement of profit or loss and other comprehensive income.

Approximately RMB4.9 million, RMB8.8 million, and RMB8.0 million of our Listing expenses was charged as administrative expenses to our consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016, respectively. The remaining amount of approximately RMB11.4 million was charged/is expected to be charged to our consolidated statement of profit or loss and other comprehensive income for the remaining seven months ending 31 December 2016. Such estimated increase in our Listing expenses will materially affect our net profit and the net profit margin for the year ending 31 December 2016. Together with the aforementioned impact on our equity, our Listing expenses are expected to result in material adverse changes in our results of operation and financial or trading position since 31 May 2016, being the date on which our latest audited financial statements.

MARKET RISKS

We are exposed to various market risks, including credit risk, foreign currency risk, interest rate risk and liquidity risk in the ordinary course of business. We mainly manage our exposure to these market risks through our regular operating activities.

Credit risk

As at 31 December 2014 and 2015 and 31 May 2016, all our bank balances and restricted bank deposits were held with reputable banks in Hong Kong and the PRC. The credit quality of our bank balances and restricted bank deposits 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.

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In respect of accounts receivable, we have policies in place to ensure that sales are made to travel agencies and properties purchasers with an appropriate credit history. In order to minimise credit risk, our Directors and management persons of sales department are responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, our Directors review the recoverable amount of each individual debtor regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, our Directors consider that our credit risk is significantly reduced.

We performed periodic credit evaluation of our amounts due from related companies, our Controlling Shareholder and a related party which were closely monitored by our Directors, and our management believe that our related companies, Controlling Shareholder and related party were of high credit quality and did not expect any losses arising from non-performance by the counterparty.

For further details of our maximum exposure to credit risk in relation to our financial assets, please refer to note 4(b) to the Accountant's Report in Appendix I to this prospectus.

Foreign currency risk

The primary economic environment in which we operate is mainly in the PRC and the functional currency of those group companies is RMB. Certain cash and cash equivalents, borrowings, loans from shareholders and puttable shares are denominated in HK\$ and held by Group companies which functional currency is HK\$. Therefore, we consider the foreign currency risk exposure of our Group to be insignificant and we currently do not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. We will monitor our foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

Our exposure to interest rate risk arises from our bank deposits and borrowings which bear interests at variable rates varied with the then prevailing market condition.

For further details of our sensitivity analysis on interest rate, please refer to note 4(d) to the Accountant's Report in the Appendix I to this prospectus.

Liquidity risk

Liquidity risk refers to the risk of our Group to have sufficient funds to meet all contractual financial commitments as they fall due. Our policy is to regularly monitor current and expected liquidity requirements to ensure that we maintain sufficient reserves of cash to meet our liquidity requirements in the short and longer term.

For further details of our maturity analysis based on contractual undiscounted cash flows of our financial liabilities, please refer to note 4(c) to the Accountant's Report in the Appendix I to this prospectus.

FINANCIAL INFORMATION

MAJOR FINANCIAL RATIOS

		For the year ended 31 December		For the five months ended 31 May 2016
		2014	2015	
Net profit margin before interest and tax (%)	<i>(Note 1)</i>	51.6	22.8	(5.9)
Net profit margin (%)	<i>(Note 2)</i>	28.1	(7.7)	(36.2)
Return on equity (%)	<i>(Note 3)</i>	29.1	(8.9)	N/A
Return on total assets (%)	<i>(Note 4)</i>	6.5	(1.5)	N/A
Interest coverage (times)	<i>(Note 5)</i>	4.5	1.0	(0.2)
		As at 31 December		As at 31 May 2016
		2014	2015	
Current ratio	<i>(Note 6)</i>	0.7	0.5	0.8
Quick ratio	<i>(Note 7)</i>	0.5	0.4	0.5
Gearing ratio	<i>(Note 8)</i>	2.2	3.3	3.8
Debt-to-equity ratio	<i>(Note 9)</i>	2.1	2.9	3.4

Notes:

1. Net profit margin before interest and tax is calculated based on the net profit netting off the interest and tax expense for the year/period divided by total revenue for the year/period multiplied by 100.
2. Net profit margin is calculated based on the net profit/(loss) for the year/period attributable to owners of our Company divided by total revenue for the year/period and multiplied by 100.
3. Return on equity is calculated based on the net profit for the year attributable to owners of our Company divided by issued share capital and reserves at the end of the year and multiplied by 100.
4. Return on total assets is calculated based on the net profit for the year attributable to owners of our Company divided by total assets at the end of the year and multiplied by 100.
5. Interest coverage is calculated based on the profit before interest and tax for the year/period divided by interest expenses for the year/period.
6. Current ratio is calculated based on the total current assets at the date indicated divided by the total current liabilities at the date indicated.
7. Quick ratio is calculated based on the total current assets (excluding inventories and properties held for sale) at the date indicated divided by the total current liabilities at the date indicated.
8. Gearing ratio is calculated based on total debt at the date indicated divided by total equity at the date indicated. Total debt is defined to include borrowings, amount due to a related party, puttable shares and loans from shareholders.
9. Debt-to-equity ratio is calculated based on net debt at the date indicated divided by total equity at the date indicated. Net debt is defined to include total debt net of cash and cash equivalents and restricted bank deposits.

FINANCIAL INFORMATION

Net profit margin before interest and tax and net profit margin

Our net profit margin before interest and tax decreased from approximately 51.6% for 2014 to approximately 22.8% for 2015 mainly due to a decrease in fair value gains on our investment properties from approximately RMB59.1 million for 2014 to approximately RMB21.3 million for 2015 (representing a decrease by approximately 63.9%).

Our net profit margin before interest and tax decreased to approximately (5.9)% for the five months ended 31 May 2016 mainly due to we recorded a loss before interest and income tax expenses for the five months ended 31 May 2016 primarily because of a decrease in our gross profit from approximately RMB25.4 million for the five months ended 31 May 2015 to approximately RMB17.6 million for the five months ended 31 May 2016 (representing a decrease by approximately 30.6%) mainly due to a decrease in our property sales.

Our net profit margin decreased from approximately 28.1% for 2014 to approximately (7.7)% for 2015 mainly because we recorded net loss for the year ended 31 December 2015.

Our net profit margin decreased to approximately (36.2)% for the five months ended 31 May 2016 mainly because of increased net loss for the five months ended 31 May 2016 as compared to the year ended 31 December 2015 primarily due to a decrease in our gross profit margin from approximately 46.6% for 2015 to approximately 30.9% for the five months ended 31 May 2016.

Return on equity

Our return on equity decreased from approximately 29.1% for 2014 to approximately (8.9)% for 2015 mainly because we recorded net loss for the year ended 31 December 2015.

Return on total assets

Our return on total assets decreased from approximately 6.5% for 2014 to approximately (1.5)% for 2015 mainly because we recorded net loss for the year ended 31 December 2015.

Interest coverage

Our interest coverage decreased from approximately 4.5 times for 2014 to approximately 1.0 times for 2015. Such decrease was mainly due to a decrease in our profit before interest and income tax expenses and an increase in our finance costs. The reason for such decrease has been explained in the earlier parts of this section.

Our interest coverage decreased to approximately (0.2) times for the five months ended 31 May 2016. Such decrease was mainly because we recorded a loss before interest and income tax expenses for the five months ended 31 May 2016.

Current ratio and quick ratio

Our current ratio was approximately 0.7 and 0.5 as at 31 December 2014 and 2015, respectively. The decrease from 31 December 2014 to 31 December 2015 was mainly due to the rate of the increase in our current liabilities exceeded the rate of the increase in our current assets. Reasons for the foregoing movement of our net current liabilities have been explained in the earlier parts of this section.

FINANCIAL INFORMATION

Our current ratio increased to approximately 0.8 as at 31 May 2016 was mainly due to the reclassification of our loans from shareholders and puttable shares from current liabilities to non-current liabilities as we have extended the maturity dates for further 24 months.

Had the Placing taken place on 31 May 2016, our current ratio would have increased to approximately 1.1.

Our quick ratio was approximately 0.5, 0.4 and 0.5 as at 31 December 2014 and 2015 and 31 May 2016, respectively. The fluctuation was mainly due to the same reasons for the fluctuation of our current ratio as at 31 December 2014 and 2015 and 31 May 2016.

Gearing ratio

Our gearing ratio increased from approximately 2.2 as at 31 December 2014 to approximately 3.3 as at 31 December 2015 mainly due to an increase in our bank borrowings.

Our gearing ratio increased to approximately 3.8 as at 31 May 2016 mainly due to the reduction of our total equity primarily because of the loss recognised for the five months ended 31 May 2016.

Had the Placing taken place on 31 May 2016, our gearing ratio would have decreased to approximately 1.0.

Debt-to-equity ratio

Our debt-to-equity ratio increased from approximately 2.1 as at 31 December 2014 to approximately 2.9 as at 31 December 2015 mainly due to an increase in our bank borrowings, partially offset by an increase in our restricted bank balances and cash and bank balances.

Our debt-to-equity ratio increased to approximately 3.4 as at 31 May 2016 mainly due to (i) an increase in our net debt primarily attributable to a decrease in our restricted bank deposits and cash and bank balances; and (ii) the reduction of our total equity.

DIVIDEND AND DISTRIBUTABLE RESERVE

No dividends have been declared by our Company or the subsidiaries now comprising our Group to their then equity owners during the Track Record Period. We currently do not have a fixed dividend policy. Our historical dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operation.

The amount of any dividends to be declared in the future will be subject to the discretion of our Directors and depend on, among others, our results of operations, available cash flow and financial condition, operating and capital requirements, the amount of distributable profits based on HKFRSs, the Articles of Association, the Companies Law, applicable laws and regulations, legal and contractual restrictions, and any other factors that our Directors deem relevant. Our Shareholders will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. In addition, the declaration and payment of dividends may also be limited by legal restrictions and any agreements or contracts that we may enter into in the future.

FINANCIAL INFORMATION

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in the PRC. For example, under our outstanding bank borrowings from the PRC commercial banks, during the terms of the borrowings, one of our PRC subsidiaries is restricted from making dividend payments or distributions without the creditor's prior consent. Revenue from such subsidiary (which is under the foregoing restriction in relation to dividend payments or distributions) amounted to approximately RMB95.9 million, RMB97.5 million and RMB41.7 million for the years ended 31 December 2014 and 2015 and 31 May 2016, respectively, accounting for approximately 46.4%, 48.2% and 73.2% of our total revenue for the same periods, respectively. The actual amount of distributable profits of such a subsidiary may account for a much larger share of our consolidated distributable profit in future. In an extreme case, it is possible that in a future year all of our consolidated distributable profits will be generated by such a subsidiary and under such circumstances, our Company will not be able to receive any of our consolidated distributable profits. In addition, PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends.

As at 31 May 2016, our Company did not have any distributable reserves available for distribution to our Shareholders.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to the unaudited pro forma financial information in Appendix II to this prospectus for the basis and calculation of our unaudited pro forma adjusted net tangible assets.

RECENT DEVELOPMENTS

Hot spring resort and hotel operations

There were no changes to our general business model after the Track Record Period. According to Jiangmen Statistical Information Net, sales of the hotel industry in Jiangmen City increased by approximately 4.5% for the first nine months of 2016 compared to that of the corresponding period in 2015. The room revenue generated from our four themed hotel complexes for the five months ended 31 October 2016 increased by approximately 30.7% compared to that for the five months ended 31 October 2015, while the occupancy rate of our themed hotel complexes decreased by approximately 5.3% from approximately 48.1% for the five months ended 31 October 2015 to approximately 42.8% for the five months ended 31 October 2016. The Directors believe that the decrease in occupancy rate was mainly due to the opening of our *Mountain Seaview Hotel* in February 2016 which led to an increase in Total Available Room Nights. The RevPAR of our themed hotel complexes for the five months ended 31 October 2016 decreased to approximately RMB110.8 compared to approximately RMB137.2 for the five months ended 31 October 2015, mainly due to an increase in Total Available Room Nights of our themed hotel complexes.

FINANCIAL INFORMATION

Tourism property development

According to Jiangmen Statistical Information Net, the sales of commodity buildings in Jiangmen City increased by approximately 31.5% for the first nine months of 2016, compared to that of the corresponding period in 2015. Despite the fact that the property development industry in Jiangmen City showed signs of recovery, we recorded a decrease in revenue from our tourism property development business for the five months ended 31 October 2016 as compared to the five months ended 31 October 2015 mainly due to the decrease in GFA sold and delivered for our *Mountain Seaview Vacation Apartments* which started its pre-sale in July and September 2014 and the fact that we have not yet recognised revenue for the pre-sold units of *Joyful Apartments* and *Mountain Seaview Vacation Residence*.

During the five months ended 31 October 2016, we sold and delivered 34 units comprising a total of approximately 2,878.6 sq.m. of GFA of our *Mountain Seaview Vacation Apartments*, pre-sold 12 units comprising a total of approximately 456.0 sq.m. of GFA of our *Joyful Apartments* and pre-sold 92 units comprising a total of approximately 6,805.7 sq.m. of GFA of our *Mountain Seaview Vacation Residence*, representing approximately 8.1%, 6.2% and 25.5% of the total saleable GFA of our *Mountain Seaview Vacation Apartments*, *Joyful Apartments* and *Mountain Seaview Vacation Residence*, respectively. As at 31 October 2016, 24 units out of 588 units (or approximately 4.1%) of our *Mountain Seaview Vacation Apartments* remained unsold, 25 units out of 185 units (or approximately 13.5%) of our *Joyful Apartments* and 351 units out of 443 units (or approximately 79.2%) of our *Mountain Seaview Vacation Residence* have not yet been pre-sold. During the five months ended 31 October 2016, we received proceeds from sales/pre-sales and earnest money from our *Mountain Seaview Vacation Apartments*, *Joyful Apartments* and *Mountain Seaview Vacation Residence* of approximately RMB16.2 million, RMB4.1 million and RMB27.0 million, respectively. Our *Joyful Apartments* passed the necessary development inspection and acceptance in November 2016.

Overall performance

For the year ending 31 December 2016, our Group's revenue will largely depend on the revenue from our tourism property development, which in turn will rest on the sale of our *Mountain Seaview Vacation Apartments* and *Joyful Apartments*. Should there be unsatisfactory sales of our *Joyful Apartments*, the result of operations of our Group for the year ending 31 December 2016 may be materially and adversely affected. The financial performance of our Group for the year ending 31 December 2016 is expected to be materially and adversely affected by various factors, in particular, (i) an expected decrease in gross profit margin which is mainly attributable to an expected increase in our staff costs and the fact that we started to recognise renovation costs of our *Mountain Seaview Vacation Apartments* since early 2016 (*Note*) and the depreciation of the new entrance to our *Gudou Hot Spring Resort* which came into use in early 2016, (ii) the expected increase in Directors' fees and professional fees; and (iii) the non-recurring expenses in relation to the Listing. It is expected that our Group will record an increase in net loss for the year ending 31 December 2016 as compared to the year ended 31 December 2015. Such expectation is a current estimate for reference only and the final results for the year ending 31 December 2016 are subject to the actual performance of our Group.

Note:

Our *Mountain Seaview Vacation Apartments* were sold in bare shell condition and we had entered into operation agreements with certain of the property owners at no rental charges on the condition that our Group undertakes the renovation work for such tourism properties at our Group's own costs and expenses. The renovation costs, when incurred, would be recognised as prepayments and amortised over the term of the operating lease. We started the term of the current operation agreements of our *Mountain Seaview Vacation Apartments* in early 2016. Hence, we did not recognise any relevant renovation costs of our *Mountain Seaview Vacation Apartments* in 2015.

FINANCIAL INFORMATION

According to our revenue recognition policy, we only recognise revenue from property sales when the construction of relevant properties has been completed and the properties have been delivered to our customers. Should there be a delay in the delivery of any or all of our three tourism property development projects, namely *Joyful Apartments*, *Mountain Seaview Vacation Residence* and *Heart of Spring Apartments* according to their respective development schedules, we will not be able to recognise the revenue, in whole or in part, from the sale of these three tourism property development projects for the year ending 31 December 2016 and/or 2017 and our Group's financial results for the years ending 31 December 2016 and/or 2017 would be adversely affected.

Despite the fact that our Group is expected to record a net loss for the year ending 31 December 2016, taking into account the financial resources available to our Group, including internally generated funds from our operating activities, available banking facilities and other borrowings, and the estimated net proceeds from the Placing, our Directors are of the opinion that our Group has sufficient working capital for at least the next 12 months from the date of this prospectus and our business is sustainable going forward.

Material change

Save as disclosed in the sub-sections headed "Listing expenses" and "Recent developments" in this section, our Directors are of the opinion that there is no fundamental deterioration in the commercial and operational viability in our business. Our Directors confirm that, since 31 May 2016 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects, and there has been no event which would have material adverse effect on the information presented in the Accountant's Report set out in Appendix I to this prospectus.

MATERIAL ADVERSE CHANGES

Our Directors confirm that, since 31 May 2016 and up to the date of this prospectus, save as disclosed in the preceding section, there had been no material adverse change in our financial or trading position or prospects, and there had been no event would have material adverse effect on the information presented in the Accountant's Report set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER GEM LISTING RULES

Except as disclosed in this prospectus, our Directors confirm that, as at the Latest Practicable Date, there are no circumstances which would give rise to make required disclosures in accordance with Rules 17.15 to 17.21 of the GEM Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES

Our business objectives are to achieve sustainable growth in our current business and to create long-term shareholder's value by mainly focusing on the PRC hot spring resort and hotel and tourism property markets in the near term.

BUSINESS STRATEGIES

Please refer to the sub-section headed "Business — Business strategies" in this prospectus for the detailed description of our business objectives and strategies.

IMPLEMENTATION PLANS

Our Group's implementation plans are set forth below for each of the six-month periods until 31 December 2018. Investors should note that the implementation plans and their scheduled times for attainment are formulated on the bases and assumptions referred to in the sub-paragraph headed "Bases and assumptions" below. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed "Risk factors" of this prospectus. Our Group's actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objectives of our Group will be accomplished at all. Based on our Group's business objectives, our Directors intend to carry out the following implementation plans:

From the Latest Practicable Date to 31 December 2016

Business strategy

Implementation plan

Construction and development of tourism property development projects

- | | |
|--|--|
| • <i>Joyful Apartments</i> | • deliver units to property owners |
| • <i>Mountain Seaview Vacation Residence</i> | • carry out construction at the site
• conduct interim review and inspection |
| • <i>Heart of Spring Apartments</i> | • continue to revise and optimise architectural design
• apply and obtain the construction works commencement permit
• commence construction at the site |

FUTURE PLANS AND USE OF PROCEEDS

Enhancing our ambience and existing facilities of Gudou Hot Spring Resort

- carry out plantation
- conduct final review and inspection

For the six months ending 30 June 2017

Business strategy

Implementation plan

Construction and development of tourism property development projects

- | | |
|--|--|
| <ul style="list-style-type: none">• <i>Mountain Seaview Vacation Residence</i>• <i>Heart of Spring Apartments</i> | <ul style="list-style-type: none">• carry out renovation• commence pre-sale of <i>Heart of Spring Apartment</i>• conduct interim review and inspection |
|--|--|

“Gudou” brand enhancement

- organise promotional events

New hot spring resorts and hotels planning

- conduct market research and analysis

Business expansion planning

- consider and evaluate potential business opportunities to provide management services to other hot spring resort owners

For the six months ending 31 December 2017

Business strategy

Implementation plan

Construction and development of tourism property development projects

- | | |
|--|--|
| <ul style="list-style-type: none">• <i>Mountain Seaview Vacation Residence</i>• <i>Heart of Spring Apartments</i> | <ul style="list-style-type: none">• conduct final review and inspection• project completion and delivery• carry out renovation• conduct final review and inspection• project completion and delivery |
|--|--|

FUTURE PLANS AND USE OF PROCEEDS

“Gudou” brand enhancement

- organise promotional events

New hot spring resorts and hotels planning

- conduct market research and analysis

Business expansion planning

- consider and evaluate potential business opportunities to provide management services to other hot spring resort owners

For the six months ending 30 June 2018

Business strategy

Implementation plan

Development of a new tourism property project

- prepare architectural and layout plans
- continue to revise and optimise architectural design

“Gudou” brand enhancement

- organise promotional events

New hot spring resorts and hotels planning

- conduct market research and analysis

Business expansion planning

- consider and evaluate potential business opportunities to provide management services to other hot spring resort owners

For the six months ending 31 December 2018

Business strategy

Implementation plan

Development of a new tourism property project

- apply and obtain the construction works planning permit

FUTURE PLANS AND USE OF PROCEEDS

“Gudou” brand enhancement

- organise promotional events

New hot spring resorts and hotels planning

- conduct market research and analysis

Business expansion planning

- consider and evaluate potential business opportunities to provide management services to other hot spring resort owners

BASES AND ASSUMPTIONS

The business objectives set out by our Directors for the period from the Latest Practicable Date up to 31 December 2018 are based on the following bases and assumptions:

- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material change in the business development requirements, existing laws and regulations, or other governmental policies relating to our Group and the legal, fiscal or economic conditions in Hong Kong, the PRC and any other places in which any member of our Group carries on or will carry on business;
- there will be no change in the funding requirement for each of the near term business objectives as described in this prospectus from the amount estimated by our Directors;
- there will be no material difference between the actual capital requirement for implementing the above plans and the amount as estimated by our Directors;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our group;
- we will be able to retain our key staff in our management and the main operational departments;
- we will not be materially affected by any risk factors as set out in the section headed “Risk factors” of this prospectus;
- we continue our operation in substantially the same manner as it was during the Track Record Period and we will also be able to carry out our development plans without disruptions;
- the Placing will be completed in accordance with and as described in the section headed “Structure and conditions of the Placing” of this prospectus;

FUTURE PLANS AND USE OF PROCEEDS

- we will be able to maintain our customers; and
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group.

REASONS FOR THE PLACING

In addition to providing sufficient funding for our Group's expansion, our Directors consider that the Listing will provide the following benefits to our Group:

- the Listing can offer our Company access to capital for growth with opportunities to raise funds both at the time of Listing and at later stages. This can broaden the debt and equity alternatives of our Group in order to cater for our expansion plan as and when necessary. Through the capital market, our Company can also undergo various corporate finance exercises which can assist our Group in its future business development;
- the Listing can increase the corporate transparency of our Group which should lead to the grant of credit lines on more competitive terms from our Company's bankers. In general, the ability to obtain bank financing is generally easier with a listed entity as compared to a private entity;
- for the purpose of the Listing, our Company has adopted, or expects to adopt before the Listing, a series of policies, procedures and plans that are designed to reasonably assure effective and efficient operations, reliable financial reporting and internal control system;
- the Listing can enhance our Group's employee incentive and commitment resulting from the grant of employee share options. Our Group will be able to offer an equity-based incentive program (such as the Share Option Scheme) to our employees that more directly correlates to their performance in our Group's business. Our Company will therefore be in a better position to motivate our employees with incentive programs that are closely aligned with the objective of creating value for our Shareholders; and
- the Listing can enhance our Group's profile, recognition and visibility in the market which should generate reassurance among its customers and suppliers. Our Directors consider that the Listing will enhance the market reputation and brand awareness of our Group and enhance our corporate profile and credibility with the public and potential business partners.

FUTURE PLANS

Please refer to the sub-section headed "Business — Business strategies" for the detailed description of our future plans.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder in the Placing.

The net proceeds from the Placing payable to us based on a Placing Price of HK\$0.60 (being the low-end of the proposed Placing Price range of HK\$0.60 to HK\$0.88 per share), after deducting the placing fees and expenses relating to the Placing, will be approximately HK\$121.7 million.

We intend to use the net proceeds of the Placing for the following purposes:

- approximately HK\$37.1 million (or approximately 30.5%) of the net proceeds for funding a portion of construction and development costs for three tourism property development projects;
- approximately HK\$78.9 million (or approximately 64.8%) of the net proceeds for repayment of shareholders' loans;
- approximately HK\$1.3 million (or approximately 1.1%) of the net proceeds for enhancing our *Gudou Hot Spring Resort* and its existing facilities; and
- approximately HK\$4.4 million (or approximately 3.6%) of the net proceeds for provide funding for our working capital and other general corporate purpose.

The shareholders' loans to be repaid by using of the net proceeds of the Placing are set out below:

Shareholders' loans	Fu An	Dynasty Fortune	Total
Loan amount:	HK\$30.0 million	HK\$30.0 million	HK\$60.0 million
Drawdown date:	14 October 2014	4 November 2014	
Interest rate:	15% per annum	15% per annum	
Maturity date:	March 2018	March 2018	
Amount to be repaid approximately by using net proceeds	HK\$39.6 million	HK\$39.3 million	HK\$78.9 million
Amount to be repaid as at maturity date	HK\$45.3 million	HK\$45.0 million	HK\$90.3 million

The loans from Fu An and Dynasty Fortune as set out above are used for providing working capital to View Top and repayment of its existing shareholders' loan, and are repayable in March 2018.

FUTURE PLANS AND USE OF PROCEEDS

The following table sets forth a summary of the amount of the net proceeds of the Placing used under different plan for the periods indicated:

	From the Latest Practicable Date to 31 December 2016 HK\$ million	For the six months ending 31				Total HK\$ million	% of net proceeds
		30 June 2017 HK\$ million	December 2017 HK\$ million	30 June 2018 HK\$ million	December 2018 HK\$ million		
Construction and development for three property development projects							
• <i>Joyful Apartments</i>	—	2.0	—	—	—	2.0	1.6%
• <i>Mountain Seaview Vacation Residence</i>	—	9.0	12.0	—	—	21.0	17.3%
• <i>Heart of Spring Apartments</i>	—	12.0	2.1	—	—	14.1	11.6%
Repayment of shareholders' loans	78.9	—	—	—	—	78.9	64.8%
Enhancing our ambiance and existing facilities of <i>Gudou Hot Spring Resort</i>	—	1.0	0.3	—	—	1.3	1.1%
Working capital and other general corporate purpose	—	2.0	2.0	0.4	—	4.4	3.6%
Total	78.9	26.0	16.4	0.4	—	121.7	100.0%

If the Placing Price is set at the high end of the indicative Placing Price range, being HK\$0.88 per Share, the net proceeds from the Placing, after deducting the placing fees and estimated expenses paid and payable by us in connection thereto, will be increased to approximately HK\$185.3 million. In such event, our Directors intend to apply the net proceeds for the repayment of shareholders' loans of approximately HK\$78.9 million and adjust the intended use of the remaining net proceeds for the other plans above on a pro-rata basis.

In the event the Over-allotment Option is exercised in full (assuming a Placing Price of HK\$0.60 per Share, being the low end of the indicative range of Placing Price), our Company will receive net proceeds of approximately HK\$144.5 million. If the Placing Price is set at the high end of the indicative Placing Price range (assuming the Over-allotment Option is exercised in full), the net proceeds from the Placing will be further increased to approximately HK\$218.7 million. Our Directors intend to apply the net proceeds for the repayment of shareholders' loans of approximately HK\$78.9 million and adjust the intended use of the remaining net proceeds for the other plans above on a pro-rata basis.

Should our Directors decide to re-allocate the intended use of the net proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of net proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the Placing are not immediately required for the above purposes of if we are unable to effect any part of our future plans as intended, we intend to hold such funds in short-term deposits with licenced banks and/or authorised financial institutions in Hong Kong for so long as it is in our best interests.

We estimate that the Selling Shareholder will receive net proceeds of approximately HK\$17.5 million after deducting the proportional placing fees, SFC transactions levy and Stock Exchange trading fee payable by the Selling Shareholder in relation to the Placing. We will not receive any of the net proceeds of the Placing from the sale of the Sale Shares by the Selling Shareholder.

PLACING

PLACING ARRANGEMENT AND EXPENSES

Placing Agreement

Pursuant to the Placing Agreement, our Company is initially offering 230,000,000 new Shares for subscription and the Selling Shareholder is offering 30,000,000 Sale Shares for sale by way of Placing, on and subject to the terms and conditions in the Placing Agreement and this prospectus at the Placing Price.

Subject to, among other conditions, the Stock Exchange granting the listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and to certain other conditions set out in the Placing Agreement being fulfilled, the Joint Bookrunners have agreed, on a best effort basis, to procure subscribers and/or purchasers for the Placing Shares on the terms and conditions in this prospectus and the Placing Agreement.

Grounds for termination

The Joint Bookrunners shall have the sole and absolute right to terminate the arrangements set out in the Placing Agreement by notice in writing given to our Company (for ourselves and on behalf of the Selling Shareholder), if at any time before 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any new law, statute, ordinance, rule, guideline, regulation, opinion, notice, circular, order, judgement, decree or ruling (“**Laws**”) or any change or development involving a prospective change in existing Laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority of the Cayman Islands, Hong Kong, the PRC, the United States, the United Kingdom, the European Union, Japan or any other relevant jurisdiction (collectively, the “**Relevant Jurisdictions**” and individually, a “**Relevant Jurisdiction**”); or
 - (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national or international financial, political, military, industrial, economic, currency exchange rates, exchange control, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting the Relevant Jurisdictions; or

PLACING

- (iii) any suspension or limitation on trading in shares or securities generally on the New York Stock Exchange, the Stock Exchange, the Singapore Stock Exchange, Tokyo Stock Exchange, the London Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange or any minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority, or a disruption has occurred in securities settlement, payment or clearance services or procedures in or affecting any Relevant Jurisdiction; or
- (iv) a change or development occurs involving a change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations or currency exchange rates in the Relevant Jurisdictions; or
- (v) any change or development involving a prospective change in the condition, financial or otherwise, or in the earnings, business affairs, business prospects or trading position of our Company or any member of our Group, or customer confidence, including any action, suit, proceeding, litigation or claim of any third party being threatened or instigated against our Company or any member of our Group, or any investigation of our Company or any member of our Group or an order for suspension of business by any government department or authority; or
- (vi) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” of this prospectus; or
- (vii) any moratorium on or disruption in banking activities or foreign exchange trading or settlement or clearance services in or affecting any Relevant Jurisdiction; or
- (viii) any outbreak or escalation of hostilities (whether or not war is or has been declared) or act for terrorism or other state of emergency or calamity or widespread epidemic or political or social crisis involving directly or indirectly any Relevant Jurisdiction or any escalation thereof, or the declaration by any Relevant Jurisdiction of a national emergency or war; or
- (ix) any event of force majeure, including without limitation any act of God, war, riot, public disorder, civil commotion, fire, flood, earthquake, explosion, outbreak of disease or epidemic, terrorism (whether or not responsibility has been claimed), labour dispute, strike or lock-out involving directly or indirectly any Relevant Jurisdiction; or
- (x) the imposition of any economic sanctions, in whatever form, directly or indirectly, by any Relevant Jurisdiction on any other Relevant Jurisdiction; or
- (xi) a Director being charged or indicted or retained with an indictable offence or prohibited by operation of law or otherwise disqualified from directorship, or the commencement by our governmental authority of any investigation or other action against any Director in his capacity as such or an announcement by any governmental authority that it intends to take any such actions; or

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- (xii) the chairman or chief executive officer of our Company vacating his office in circumstances where the operations of our Group will be materially and may, in the sole and absolute discretion of the Joint Bookrunners, be adversely affected; or
- (xiii) non-compliance of this prospectus (or any other documents used in connection with the Placing) or any aspect of the Placing with the GEM Listing Rules, our Articles, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO or any other applicable Laws by any of our Company, the Selling Shareholder, our Controlling Shareholders, or our executive Directors,

which, in each case or in the aggregate in the sole and absolute opinion of the Joint Bookrunners:

- (A) is or may be or is likely to be materially adverse to or materially or prejudicially affect, the business, financial or other condition or prospects of our Company or our Group or, to any present or prospective shareholder of our Company in his/her/its capacity as such; or
 - (B) might have a material adverse effect on the success of the Placing; or
 - (C) makes it inadvisable, inexpedient, impracticable or not commercially viable to proceed with the Placing or might have the effect of making any part of the Placing Agreement or the Placing incapable of implementation or performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Placing; or
- (b) there has come to the notice of the Joint Bookrunners any breach of any of the warranties given by our Company, our Controlling Shareholders and our executive Directors in the Placing Agreement to be untrue, inaccurate or misleading in any respect which is or, in the sole and absolute opinion of the Joint Bookrunners, likely to be, material in the context of the Placing when given or repeated; or
 - (c) any breach on the part of our Company, the Selling Shareholder, any of our Controlling Shareholders or any of our executive Directors of any of the provisions of the Placing Agreement; or
 - (d) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission therefrom considered by the Joint Bookrunners in their sole and absolute opinion to be material in the context of the Placing; or
 - (e) any statement contained in this prospectus, the formal notice, other offering documents or any announcements in the agreed form issued by our Company in connection with the Placing (including any supplement or amendment thereto) was, when it was issued, or has become untrue, incorrect or misleading in any respect, or that any estimates, forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the formal notice, other offering documents or any announcements in the agreed form issued by our Company in connection with the Placing (including any supplement or amendment thereto) is not, in the sole and absolute discretion of the Joint Bookrunners, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole; or

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- (f) there shall have occurred any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Group or any of our Controlling Shareholders or our executive Directors pursuant to the indemnities referred to in the Placing Agreement; or
- (g) of any valid demand by any creditor for repayment or payment of any indebtedness of our Company or any member of our Group or in respect of which our Company or any member of our Group is liable before its stated maturity which demand has or could reasonably be expected to have a material adverse effect on our Group taken as a whole; or
- (h) that a petition is presented for the winding-up or liquidation of our Company or any member of our Group or our Company or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any member of our Group or anything analogous thereto occurs in respect of our Company or any member of our Group, which in the sole and absolute opinion of the Joint Bookrunners, may or is likely to be material in the context of the Placing provided that the Joint Bookrunners shall, to the extent practicable, seek to consult with our Company on the effect of any such development, or
- (i) that approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue and to be issued or sold under the Placing is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (j) that our Company withdraws any of the offering documents issued in connection with the Placing (and/or any other documents used in connection with the contemplated subscription of the Placing Shares, the “**Offer Documents**”); or
- (k) that any person (other than the Joint Bookrunners) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or
- (l) of, other than with the approval of the Joint Bookrunners, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated subscription of the Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the GEM Listing Rules, the SFO or any other applicable laws, or any requirement or request of the Stock Exchange and/or the SFC; or
- (m) of any prohibition on our Company by any governmental authority for whatever reasons from offering, allotting, issuing or selling of the Shares pursuant to the terms of the Placing; or
- (n) of any prohibition on the Selling Shareholder by any governmental authority for whatever reason from transferring the Sale Shares pursuant to the terms of the Placing.

then the Joint Bookrunners may, and upon giving notice in writing to our Company (for ourselves and on behalf of the Selling Shareholder), terminate the Placing Agreement with immediate effect.

PLACING

Undertakings

Each of our Controlling Shareholders undertakes to and covenants with our Company, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers that he/it shall not and shall procure that the relevant registered holder(s) shall not (unless otherwise in compliance with the applicable requirements of the GEM Listing Rules):

- (a) at any time during the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (“**First Lock-up Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner (“**Relevant Shares**”); and
- (b) at any time during the period of 12 months commencing on the date immediately following the date on which the First Lock-up Period expires (“**Second Lock-up Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (within the meaning of the GEM Listing Rules) of our Company.

Each of our Controlling Shareholders undertakes to and covenants with our Company, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers that:

- (a) if he/it pledges or charges any of his/its direct or indirect interest in the Relevant Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the First Lock-up Period and the Second Lock-up Period, he/it must inform our Company, the Sole Sponsor and the Joint Bookrunners immediately thereafter, disclosing the details as specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any of his/its interests in the Relevant Shares under subparagraph (a) above, he/it must inform our Company, the Sole Sponsor and the Joint Bookrunners immediately if he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Relevant Shares so affected.

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Our Company undertakes to and covenants with the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers that, and each of our Controlling Shareholders and the executive Directors undertakes and covenants with the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers to procure that, save with the prior written consent of the Sole Sponsor and the Joint Bookrunners (such consent not to be unreasonably withheld or delayed) and subject always to the requirements of the Stock Exchange or save pursuant to the Placing, the Capitalisation Issue, the exercise of the Over-allotment Option or the grant of option under the Share Option Scheme, our Company will not:

- (a) within the First Lock-up Period, save as permitted under the GEM Listing Rules (including Rule 17.29 of the GEM Listing Rules) and the applicable laws, offer, allot or issue or agree to allot or issue any Shares or any other securities of our Company or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for, any Shares or any other equity securities of our Company;
- (b) at any time during the Second Lock-up Period, save as permitted by the GEM Listing Rules, issue any Share or securities in our Company or grant or agree to grant any option, warrant or other right carrying the right to subscribe for or otherwise convert into or exchange for shares or equity securities in our Company or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such shares or securities so as to result in our Controlling Shareholders either individually or taken together with the other of them ceasing to be a controlling shareholder (as defined under the GEM Listing Rules) of our Company or our Company ceasing to hold a controlling interest of 30% or more in any major subsidiary (which shall have the same meaning as in Rule 17.27(2) of the GEM Listing Rules) of our Group;
- (c) during the First Lock-up Period repurchase any Shares or any other securities of our Company; and
- (d) offer to or agree to do any of the foregoing or announce any intention to do so.

Our Controlling Shareholders have undertaken to the Stock Exchange that they shall not and shall procure that the relevant registered holders shall not:

- (a) during the First Lock-up Period dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner; or
- (b) during the Second Lock-up Period dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to sub-paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances he/it would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

The above non-disposal undertaking of 18 months given by our Controlling Shareholders is voluntary in nature.

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Our Controlling Shareholders have also undertaken to the Stock Exchange and our Company to comply with the following requirements:

- (a) if he/it pledges or charges any direct or indirect interest in the relevant Shares in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), as security for a bona fide commercial loan under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the period commencing on the date of this prospectus and ending on the date on which the Second Lock-up Period expires, he/it must inform our Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any interest in Shares under sub-paragraph (a) above, he/it must inform our Company immediately if he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

Our Company will inform the Stock Exchange as soon as it has been informed of such matters and must forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of the GEM Listing Rules.

Fees and expenses

In connection with the Placing, the Joint Bookrunners will receive a placing fee at a rate of 2.5% on the aggregate Placing Price of all the Placing Shares that are procured to be subscribed for and/or purchased by the Joint Bookrunners pursuant to the Placing Agreement and are actually subscribed for and/or purchased by the placees, out of which the Joint Bookrunners will meet all (if any) sub-placing fees. The placing fee, Stock Exchange listing fees, brokerage, Stock Exchange trading fee, SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Placing are estimated to be approximately HK\$65.1 million in aggregate (assuming the Over-allotment Option is not exercised and a Placing Price of HK\$0.60 being the low-end of the stated range of the Placing Share), will be payable by our Company, save for the placing fees relating to the Sale Shares sold by the Selling Shareholder pursuant to the Placing together with the SFC transaction levy, the Stock Exchange trading fee and stamp duty attributable to or arising in connection with the sale and transfer of the Sale Shares which will be borne by the Selling Shareholder.

Joint Bookrunners' interests in our Company

Save for their interests and obligations under the Placing Agreement or as disclosed in this prospectus, none of the Joint Bookrunners or any of their respective associates is interested beneficially or non-beneficially in any shares or securities in our Company or any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares or securities in our Company or any member of our Group.

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Compliance adviser's agreement

Under a compliance adviser's agreement dated 20 April 2015 and made between Celestial Capital and our Company ("**Compliance Adviser's Agreement**"), our Company appoints Celestial Capital and Celestial Capital agrees to act as the compliance adviser to our Company for the purpose of the GEM Listing Rules for a period from the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, or until the Compliance Adviser's Agreement is terminated, whichever is earlier.

Sole Sponsor's independence and interest in our Company

Celestial Capital, being the Sole Sponsor, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules.

Save for the advisory fee and the sponsor's fee paid and to be paid to Celestial Capital as the Sole Sponsor to the Listing, its obligations under the Placing Agreement and the Compliance Adviser's Agreement or as otherwise disclosed in this prospectus, neither Celestial Capital nor any of its close associates has or may, as a result of the Placing, have any interest in our Company or in any class of securities of our Company or any other company in our Group (including options or rights to subscribe for such securities).

No director or employee of Celestial Capital who is involved in providing advice to our Company has or may, as a result of the Placing, have any interest in any class of securities of our Company or other company in our Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Placing).

No director or employee of Celestial Capital has a directorship in our Company or any other company in our Group.

STRUCTURE AND CONDITIONS OF THE PLACING

PLACING PRICE

The Placing Price will not be more than HK\$0.88 and is expected to be not less than HK\$0.60 per Placing Share. Based on the maximum Placing Price of HK\$0.88 per Placing Share, plus 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, one board lot of 4,000 Shares will amount to a total of HK\$3,555.48.

The Placing Price is expected to be fixed by an agreement to be entered into between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners on the Price Determination Date which is scheduled on or around Monday, 5 December 2016 (or such later time and/or date as agreed between the Joint Bookrunners and our Company (for ourselves and on behalf of the Selling Shareholder)). If our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners are unable to reach an agreement on the Placing Price by the Price Determination Date or such later date as may be agreed between our Company and the Joint Bookrunners, the Placing will not become unconditional and will lapse.

Prospective investors of the Placing Shares should be aware that the Placing Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative range of the Placing Price stated in this prospectus. If the Joint Bookrunners and with our consent considers it appropriate (for instance, if the level of interest is below the indicative Placing Price range), the indicative Placing Price range may be reduced below that stated in this prospectus at any time before the Price Determination Date. In such a case, we shall, as soon as practicable following the decision to make such reduction, cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.gudouholdings.com notice of the reduction of the indicative Placing Price range.

The level of indication of interest in the Placing and the basis of allocations of the Placing Shares will be announced on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.gudouholdings.com on or before Thursday, 8 December 2016.

THE PLACING IS NOT UNDERWRITTEN

The Placing is managed by the Joint Bookrunners on a best effort basis but is not underwritten. Therefore, there is no guarantee that the Placing will proceed as scheduled. Should the aggregate amount of gross proceeds of the Placing raised by our Company and the Selling Shareholder be less than HK\$156 million (equal to 260,000,000 Placing Shares, comprising 230,000,000 new Shares initially being offered by our Company for subscription and 30,000,000 Sale Shares offered by our Selling Shareholder for sale, times the lowest Placing Price of HK\$0.60 per Placing Share) (or such amount as agreed between our Company and the Joint Bookrunners), the Placing will not proceed.

STRUCTURE AND CONDITIONS OF THE PLACING

THE PLACING

Placing

The Placing of 260,000,000 Placing Shares (comprising 230,000,000 new Shares to be initially offered by our Company for subscription and 30,000,000 Sale Shares to be offered by the Selling Shareholder for sale) by way of private placements to professional, institutional or other investors, representing approximately 26.5% of our Company's enlarged issued share capital immediately after completion of the Placing and the Capitalisation Issue. In addition, our Company has granted to the Joint Bookrunners the Over-allotment Option, exercisable by Ping An Securities on or before 8 January 2017, being the 30th day after the Listing Date, to require our Company to allot and issue up to 39,000,000 additional new Shares, representing 15% of the Placing Shares initially available for subscription and purchase (as the case may be) under the Placing, on the same terms as those applicable to the Placing.

Pursuant to the Placing, it is expected that the Joint Bookrunners or selling agents nominated by it, on behalf of our Company and the Selling Shareholder will, on a best effort basis, conditionally place the Placing Shares (comprising 230,000,000 new Shares to be initially offered by our Company for subscription and 30,000,000 Sale Shares to be offered by the Selling Shareholder for sale) at the Placing Price (plus a 1% brokerage fee, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy) with selected professional, institutional, individual and other investors in Hong Kong. Professional, institutional, individual and other investors generally include brokers, dealers, high net worth individuals and companies (including fund managers) whose ordinary business involves dealing and investing in shares and other securities.

Basis of allocation

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to purchase further Shares or hold or sell the Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional and institutional shareholder base for the benefit of our Company and the Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that no more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

No allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, without the prior written consent of the Stock Exchange. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

The Placing is subject to the conditions as stated in the sub-section headed "Conditions of the Placing" in this section below.

STRUCTURE AND CONDITIONS OF THE PLACING

CONDITIONS OF THE PLACING

The Placing is conditional upon, among other things:

(a) Listing

The Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein including any Shares which may fall to be issued pursuant to the Capitalisation Issue and upon exercise of the Over-allotment Option and exercise of the options that may be granted under the Share Option Scheme; and

(b) Placing Agreement

The obligations of the Joint Bookrunners under the Placing Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Bookrunners and the Placing Agreement not being terminated in accordance with its terms or otherwise before 8:00 a.m. (Hong Kong time) on the Listing Date). Details of the Placing Agreement, the conditions and grounds for termination, are set out in the section headed “Placing” in this prospectus, in each case, on or before the dates and times specified in the Placing Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived before the times and dates specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published by our Company at the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.gudouholdings.com on the next business day following such lapse.

OVER-ALLOTMENT OPTION

Pursuant to the Placing Agreement, our Company has granted to the Joint Bookrunners a right (but not an obligation) to exercise the Over-allotment Option up to the 30th day after the Listing Date, to require our Company to issue up to an aggregate of 39,000,000 additional new Shares, representing 15% of the number of the Placing Shares initially available under the Placing. These Shares will be issued at the Placing Price for the purpose of covering over-allocations in the Placing, if any. Any election in respect of the Over-allotment Option may be exercised in whole or in part and from time to time.

If the Over-allotment Option is exercised in full, our Company will be required to issue 39,000,000 additional new Shares, representing approximately 3.83% of our Company’s total enlarged number of Shares in issue immediately following completion of the Placing, the Capitalisation Issue and the exercise of the Over-allotment Option but without taking into account any Shares which may fall to be issued upon the exercise of any option that may be granted under the Share Option Scheme.

If the Over-allotment Option is exercised, an announcement will be made on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.gudouholdings.com.

STRUCTURE AND CONDITIONS OF THE PLACING

STABILISATION

Stabilisation is a practice used by bookrunners in some markets to facilitate the distribution of securities. To stabilise, the bookrunners may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial offer prices of the securities. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Placing, Ping An Securities, as stabilising manager, or its authorised agents, may, but is not obliged to, over-allocate Shares and/or effect any other transactions with a view to stabilising or supporting the market price of our Shares at a level higher than which might otherwise prevail in the open market, for a limited period. Such stabilising activity may include stock borrowing, making market purchases of Shares in the secondary market or selling Shares to liquidate a position held as a result of those purchases, as well as exercising the Over-allotment Option. Any such stabilising activity will be effected in compliance with all applicable laws, rules and regulatory requirements in Hong Kong on stabilisation including the Securities and Futures (Price Stabilising) Rules made under the SFO. However, there is no obligation on the Stabilising Manager or its authorised agents to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager or its authorised agents and may be discontinued at any time. The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued under the Over-allotment Option, namely 39,000,000 Shares, which is 15% of the number of Shares initially available under the Placing.

As a result of effecting transactions to stabilise or maintain the market price of our Shares, the Stabilising Manager or its authorised agents may maintain a long position in our Shares. The size of the long position, and the period for which the Stabilising Manager or its authorised agents will maintain the long position is at the discretion of the Stabilising Manager or its authorised agents and is uncertain. If the Stabilising Manager or its authorised agents liquidates this long position by making sales in the open market, this may lead to a decline in the market price of our Shares.

Stabilising activity by the Stabilising Manager or its authorised agents is not permitted to support the price of our Shares for longer than the stabilising period, which begins on the day on which trading of our Shares commences on the Stock Exchange and ends on the 30th day after the Listing Date. The stabilising period is expected to end on 8 January 2017.

Any stabilising activity taken by the Stabilising Manager or its authorised agents may not necessarily result in the market price of our Shares staying at or above the Placing Price either during or after the stabilising period. Bids for or market purchases of our Shares by the Stabilising Manager or its authorised agents may be made at a price at or below the Placing Price and therefore at or below the price paid for our Shares by investors.

In order to facilitate the settlement of over-allocations, the Stabilising Manager or its authorised agents may, among other means, purchase Shares in the secondary market, enter into stock borrowing arrangements with holders of Shares, exercise the Over-allotment Option, engage in a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.

STRUCTURE AND CONDITIONS OF THE PLACING

The Stabilising Manager or its authorised agents may borrow up to 39,000,000 Shares from the Controlling Shareholders, equivalent to the maximum number of additional Shares to be offered upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The Stock Borrowing Agreement is not subject to the restrictions of Rule 13.16A of the GEM Listing Rules which restricts the disposal of Shares by controlling shareholders following a new listing, provided the following requirements in accordance with the provisions of Rule 13.16A of the GEM Listing Rules are complied with:

- (a) the Stock Borrowing Agreement will only be effected by the Stabilising Manager or its authorised agents for covering any short position before the exercise of the Over-allotment Option;
- (b) the maximum number of Shares to be borrowed from the Controlling Shareholders will be limited to the maximum number of Shares which may be issued or sold upon exercise of the Over-allotment Option;
- (c) the same number of Shares so borrowed must be returned to the Controlling Shareholders on or before the third business day, a day that is not a Saturday, Sunday or public holiday in Hong Kong, following the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised in full;
- (d) borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable GEM Listing Rules, laws and other regulatory requirements; and
- (e) no payments will be made to the Controlling Shareholders in relation to the Stock Borrowing Agreement.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on 9 December 2016. Shares will be traded in board lots of 4,000 Shares each and are freely transferable.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for listing of, and permission to deal, in the Shares in issue and to be issued as mentioned in this prospectus. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or, under contingent situation, any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interest.

Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

30 November 2016

The Directors
Gudou Holdings Limited

Celestial Capital Limited

Dear Sirs,

We report on the financial information of Gudou Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated statements of financial position as at 31 December 2014 and 2015 and 31 May 2016, statements of financial position of the Company as at 31 December 2014 and 2015 and 31 May 2016, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2014 and 2015 and five months ended 31 May 2016 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 30 November 2016 (the "Prospectus") in connection with the initial listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 10 January 2014 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Reorganisation" below, which was completed on 11 September 2014, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1.2 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No statutory audited financial statements have been prepared by the Company as it has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The statutory audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1.2 of Section II.

The directors of the Company have prepared the consolidated financial statements of the Company for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSAs”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the financial position of the Company as at 31 December 2014 and 2015 and 31 May 2016 and of the financial position of the Group as at 31 December 2014 and 2015 and 31 May 2016 and of the Group's financial performance and cash flows for the Relevant Periods.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I of the Prospectus which comprises the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the five months ended 31 May 2015 and a summary of significant accounting policies and other explanatory information (the “Stub Period Comparative Financial Information”).

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2014 and 2015 and 31 May 2016 and for each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016 (the "Financial Information"):

Consolidated Statements of Comprehensive Income

	Note	Year ended 31 December		Five months ended 31 May	
		2014 RMB'000	2015 RMB'000	2015 RMB'000 (unaudited)	2016 RMB'000
Revenue	6	206,468	202,153	62,579	56,904
Cost of sales	11	(104,114)	(107,890)	(37,195)	(39,293)
Gross profit		102,354	94,263	25,384	17,611
Other income	7	443	387	126	80
Fair value gains on investment properties	17	59,124	21,343	5,711	9,640
Selling expenses	11	(24,151)	(28,768)	(11,431)	(9,307)
Administrative expenses	11	(31,268)	(41,082)	(18,783)	(21,397)
Profit/(loss) from operations		106,502	46,143	1,007	(3,373)
Finance costs	9	(23,664)	(46,442)	(21,575)	(16,528)
Profit/(loss) before tax		82,838	(299)	(20,568)	(19,901)
Income tax (expenses)/credit	10	(24,803)	(15,193)	278	(689)
Profit/(loss) for the years/periods	11	58,035	(15,492)	(20,290)	(20,590)
Other comprehensive income/(loss) for the years/periods, net of tax					
<i>Items that may be reclassified to profit or loss:</i>					
Currency translation differences		(309)	(9,151)	2,072	(2,396)
Total comprehensive income/(loss) for the years/periods		<u>57,726</u>	<u>(24,643)</u>	<u>(18,218)</u>	<u>(22,986)</u>
Profit/(loss) for the years/ periods attributable to:					
Owners of the Company		58,036	(15,492)	(20,290)	(20,590)
Non-controlling interest		(1)	—	—	—
		<u>58,035</u>	<u>(15,492)</u>	<u>(20,290)</u>	<u>(20,590)</u>

	Note	Year ended 31 December		Five months ended 31 May	
		2014 RMB'000	2015 RMB'000	2015 RMB'000 (unaudited)	2016 RMB'000
Total comprehensive income/(loss) for the years/periods attributable to:					
Owners of the Company		57,727	(24,643)	(18,218)	(22,986)
Non-controlling interest		(1)	—	—	—
		<u>57,726</u>	<u>(24,643)</u>	<u>(18,218)</u>	<u>(22,986)</u>
Earnings/(loss) per share attributable to owners of the Company for the years/periods					
Basic (RMB)	14	<u>1.744</u>	<u>(0.544)</u>	<u>(0.712)</u>	<u>(0.722)</u>
Diluted (RMB)		<u>1.737</u>	<u>(0.544)</u>	<u>(0.712)</u>	<u>(0.722)</u>

Consolidated Statements of Financial Position

	<i>Note</i>	At 31 December		At 31 May
		2014	2015	2016
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Property, plant and equipment	15	165,014	197,667	246,828
Prepaid land lease payments	16	8,681	8,131	8,020
Investment properties	17	552,462	574,610	544,260
Deposits and prepayments	22	—	26,423	21,249
Deferred tax assets	36	3,514	6,338	9,070
		<u>729,671</u>	<u>813,169</u>	<u>829,427</u>
Current assets				
Properties held for sale	19	59,219	36,923	76,152
Inventories	20	3,574	3,261	3,560
Accounts receivable	21	36,948	42,567	21,032
Prepaid land lease payments	16	326	326	326
Prepayments, deposits and other receivables	22	10,522	25,611	36,253
Due from a related party	23	605	—	—
Due from the controlling shareholder	31	1,874	—	—
Due from related companies	24	23,805	—	—
Restricted bank deposits	25	14,895	54,489	46,896
Bank and cash balances	26	17,939	32,599	14,622
		<u>169,707</u>	<u>195,776</u>	<u>198,841</u>
Current liabilities				
Accounts payable	27	51,280	26,699	33,189
Proceeds received from pre-sale of properties	28	738	5,406	44,210
Accruals and other payables	29	56,172	59,488	61,175
Borrowings	30	92,567	106,834	89,113
Due to a related party	32	17,797	—	—
Loans from shareholders	33	—	59,198	—
Puttable shares	35	—	106,559	—
Current tax liabilities		8,959	12,971	10,382
		<u>227,513</u>	<u>377,155</u>	<u>238,069</u>
Net current liabilities		<u>(57,806)</u>	<u>(181,379)</u>	<u>(39,228)</u>
Total assets less current liabilities		<u>671,865</u>	<u>631,790</u>	<u>790,199</u>

	<i>Note</i>	At 31 December		At 31 May
		2014	2015	2016
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities				
Borrowings	30	199,362	312,992	315,271
Loans from shareholders	33	48,795	—	63,039
Puttable shares	35	89,100	—	113,657
Deferred tax liabilities	36	135,101	143,934	146,354
		<u>472,358</u>	<u>456,926</u>	<u>638,321</u>
NET ASSETS		<u>199,507</u>	<u>174,864</u>	<u>151,878</u>
Capital and reserves				
Share capital	37	301	301	301
Reserves	38	199,206	174,563	151,577
Equity attributable to owners of the Company		<u>199,507</u>	<u>174,864</u>	<u>151,878</u>
Non-controlling interest		<u>—</u>	<u>—</u>	<u>—</u>
TOTAL EQUITY		<u>199,507</u>	<u>174,864</u>	<u>151,878</u>

Statements of Financial Position — The Company

	<i>Note</i>	At 31 December 2014 RMB'000	2015 RMB'000	At 31 May 2016 RMB'000
Non-current asset				
Investment in a subsidiary	18	208,587	208,587	208,587
Current asset				
Due from a subsidiary	18	27,854	29,488	29,820
Current liabilities				
Financial guarantee contracts liabilities	34	780	123	1,352
Puttable shares	35	—	106,559	—
		780	106,682	1,352
Net current assets/(liabilities)		27,074	(77,194)	28,468
Total assets less current liabilities		235,661	131,393	237,055
Non-current liability				
Puttable shares	35	89,100	—	113,657
NET ASSETS		<u>146,561</u>	<u>131,393</u>	<u>123,398</u>
Capital and reserves				
Share capital	37	301	301	301
Reserves	38	146,260	131,092	123,097
TOTAL EQUITY		<u>146,561</u>	<u>131,393</u>	<u>123,398</u>

Consolidated Statements of Changes in Equity

	Attributable to owners of the Company								Total equity RMB'000
	Share capital RMB'000	Combined capital RMB'000	Foreign currency translation reserve RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2014	—	11	19,551	—	—	180,882	200,444	(12)	200,432
Comprehensive income									
Profit for the year	—	—	—	—	—	58,036	58,036	(1)	58,035
Other comprehensive loss									
Currency translation differences	—	—	(309)	—	—	—	(309)	—	(309)
Total comprehensive income/(loss) for the year	—	—	(309)	—	—	58,036	57,727	(1)	57,726
Transactions with owners									
Effect of Group reorganisation	—	(11)	—	11	—	—	—	—	—
Issue of shares by the Company on Group Reorganisation (Note 37(b))	277	—	—	(288)	—	—	(11)	—	(11)
Issue of written puttable options (Note 35)	24	—	—	—	(58,659)	—	(58,635)	—	(58,635)
Acquisition of non-controlling interests (Note 39(b))	—	—	—	—	—	(18)	(18)	13	(5)
Total transactions with owners	301	(11)	(309)	(277)	(58,659)	58,018	(937)	12	(925)
At 31 December 2014 and 1 January 2015	301	—	19,242	(277)	(58,659)	238,900	199,507	—	199,507
Comprehensive loss									
Loss for the year	—	—	—	—	—	(15,492)	(15,492)	—	(15,492)
Other comprehensive loss									
Currency translation differences	—	—	(9,151)	—	—	—	(9,151)	—	(9,151)
Total comprehensive loss for the year	—	—	(9,151)	—	—	(15,492)	(24,643)	—	(24,643)

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Combined capital	Foreign currency translation reserve	Capital reserve	Other reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2015 and 1 January 2016	301	—	10,091	(277)	(58,659)	223,408	174,864	—	174,864
Comprehensive loss									
Loss for the period	—	—	—	—	—	(20,590)	(20,590)	—	(20,590)
Other comprehensive loss									
Currency translation differences	—	—	(2,396)	—	—	—	(2,396)	—	(2,396)
Total comprehensive loss for the period	—	—	(2,396)	—	—	(20,590)	(22,986)	—	(22,986)
At 31 May 2016	301	—	7,695	(277)	(58,659)	202,818	151,878	—	151,878
At 31 December 2014 and 1 January 2015	301	—	19,242	(277)	(58,659)	238,900	199,507	—	199,507
Comprehensive loss									
Loss for the period	—	—	—	—	—	(20,290)	(20,290)	—	(20,290)
Other comprehensive income									
Currency translation differences	—	—	2,072	—	—	—	2,072	—	2,072
Total comprehensive loss for the period	—	—	2,072	—	—	(20,290)	(18,218)	—	(18,218)
At 31 May 2015 (unaudited)	301	—	21,314	(277)	(58,659)	218,610	181,289	—	181,289

Consolidated Statements of Cash Flows

	Year ended 31 December		Five months ended 31 May	
	2014 RMB'000	2015 RMB'000	2015 RMB'000 (unaudited)	2016 RMB'000
CASH FLOWS FROM OPERATING				
ACTIVITIES				
Profit/(loss) before tax	82,838	(299)	(20,568)	(19,901)
Adjustments for:				
Interest income	(33)	(285)	(36)	(23)
Fair value gains on investment properties	(59,124)	(21,343)	(5,711)	(9,640)
Amortisation of prepaid land lease payments	326	326	137	111
Amortisation on prepayment for renovation for properties held for sales	—	—	—	5,585
Depreciation	15,164	15,680	6,393	6,425
Finance costs	23,664	46,442	21,575	16,528
(Gain)/loss on disposal of property, plant and equipment	(61)	38	—	1
Loss on disposal of a subsidiary <i>(Note 39(a))</i>	—	16	16	—
Operating profit/(loss) before working capital changes	62,774	40,575	1,806	(914)
(Increase)/decrease in properties held for sale	(38,591)	23,353	9,925	(20,970)
Decrease in prepaid land lease payments	—	224	—	—
Decrease/(increase) in inventories	87	313	166	(299)
(Increase)/decrease in accounts receivable	(8,369)	(5,684)	17,907	21,535
Increase in prepayments, deposits and other receivables	(3,928)	(39,102)	(52,433)	(11,053)
Increase/(decrease) in accounts payable	16,112	(24,581)	(27,987)	6,490
Increase/(decrease) in proceeds received from pre-sale of properties	738	4,668	(738)	38,804
Increase/(decrease) in accruals and other payables	18,250	3,538	(1,123)	1,687
Cash generated from/(used in) operations	47,073	3,304	(52,477)	35,280
Interest paid and capitalised in properties held for sale	(3,748)	(1,057)	(787)	(1,193)
Income taxes paid	(2,228)	(5,171)	(3,275)	(3,590)
Net cash generated from/(used in) operating activities	41,097	(2,924)	(56,539)	30,497

	Year ended 31 December		Five months ended 31 May	
	2014 RMB'000	2015 RMB'000	2015 RMB'000 (unaudited)	2016 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
(Increase)/decrease in restricted bank deposits	(14,895)	(39,594)	(9,118)	7,593
Interest received	33	285	36	23
Interest paid and capitalised in investment properties and property, plant and equipment	(1,202)	(1,447)	(378)	(529)
Deposit of purchase of property, plant and equipment	—	(3,500)	—	—
Purchase of property, plant and equipment	(8,705)	(47,710)	(2,515)	(32,070)
Proceeds from disposals of property, plant and equipment	61	—	—	—
Net proceeds from disposal of a subsidiary (<i>Note 39(a)</i>)	—	359	359	—
Addition in investment properties	(593)	—	—	—
Net cash used in investing activities	(25,301)	(91,607)	(11,616)	(24,983)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid	(17,705)	(20,912)	(8,847)	(7,503)
Decrease in other receivables	134,039	1,090	780	—
Decrease in amounts due from related companies	155,520	23,305	23,305	—
Bank and other loans raised	64,782	425,073	327,177	43,809
Repayment of bank and other loans	(26,914)	(103,906)	(32,897)	(58,890)
Payment for arrangement fee attributable to bank loans raised	—	(6,986)	(6,986)	—
Repayment of trust financing arrangement	(34,425)	(193,725)	(193,725)	—
Decrease in other payables	(303,896)	—	(506)	—
Decrease/increase in amount due to/from the controlling shareholder	(75,381)	1,874	(19,013)	—
Increase in loans from shareholders	47,478	—	—	—
Decrease in amount due to a related company	(8,016)	—	—	—
Decrease in amount due from related party	11,055	605	605	—
Increase/(decrease) in amount due to a related party	17,797	(17,797)	—	—
Acquisition of non-controlling interest (<i>Note 39(b)</i>)	(5)	—	—	—
Issue of puttable shares (<i>Note 35</i>)	27,854	—	—	—
Net cash (used in)/generated from financing activities	(7,817)	108,621	89,893	(22,584)

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
NET INCREASE/(DECREASE) IN				
CASH AND CASH EQUIVALENTS	7,979	14,090	21,738	(17,070)
Effect of foreign exchange rate changes	(317)	570	821	(907)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS				
AT BEGINNING OF YEAR/				
PERIOD	10,277	17,939	17,939	32,599
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS				
AT END OF YEAR/PERIOD	17,939	32,599	40,498	14,622
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ANALYSIS OF CASH AND CASH				
EQUIVALENTS				
Bank and cash balances	17,939	32,599	40,498	14,622
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

II. NOTES TO THE FINANCIAL INFORMATION**1. General information, Reorganisation and basis of presentation****1.1 General information**

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

The Company is an investment holding company. The principal activities of its subsidiaries are hot spring resort, hotel operations and tourism property development (the "Listing Business"). The non-controlling interests are not material to the Group and accordingly no additional disclosure of the non-controlling interests is provided.

In the opinion of the directors, the ultimate holding company is Harvest Talent Investments Limited, which is incorporated in the British Virgin Islands ("BVI"), and the ultimate controlling party is Mr. Hon Chi Ming.

1.2 Reorganisation

In preparing for the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the following reorganisation activities were carried out.

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the "Reorganisation"), the Listing Business was carried out by companies now comprising the Group (collectively the "Operating Companies") throughout the Relevant Periods.

Pursuant to the Reorganisation, the Listing Business was transferred to the Company through the following steps:

- (i) On 8 May 2013, Guangdong Gudou Travel Group Company Limited ("Guangdong Gudou") disposed of its 100% interest in Zhengming Property Management Company Limited to Ms. Huang Jieming, a third party, at a consideration of RMB500,000. Zhengming Property Management ceased to be a subsidiary of the Group.
- (ii) On 22 October 2013, Guangdong Gudou acquired 2% equity interest in Jiangmen City Weisheng Investment Company Limited ("Weisheng Investment") from Ms. Huang Jieming at a consideration of RMB260,670, which was based on the net asset value of Weisheng Investment as at 31 December 2012. Weisheng Investment became a wholly-owned subsidiary of the Company.

- (iii) On 7 November 2013, Harvest Talent Investments Limited (“Harvest Talent”) was incorporated in the BVI. On 27 December 2013, Harvest Talent allotted and issued one share to Mr. Hon Chi Ming, credited as fully paid.
- (iv) The Company was incorporated in the Cayman Islands on 10 January 2014 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, of which one share was allotted to Reid Services Limited, and transferred to Harvest Talent on 10 January 2014.
- (v) On 21 February 2014, Gudou Wonderland Limited (“Gudou Wonderland”) was incorporated in the BVI, with one share allotted and issued to the Company, nil paid.
- (vi) On 11 September 2014, Mr. Hon Chi Ming transferred the entire issued share capital in View Top Holding Limited (“HK View Top”) to Gudou Wonderland, in exchange for which the Company issued and allotted shares to Harvest Talent, credited as fully paid at par the initial one nil paid share registered in the name of Harvest Limited.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up capital	Attributable equity interest of the Group as at				Principal activities
			31 December 2014	31 May 2015	31 May 2016	Date of this report	
			%	%	%	%	
Gudou Wonderland Limited	BVI	Hong Kong Dollars (“HK\$”) 1	100%	100%	100%	100%	Investment holding
View Top Holding Limited 景騰集團有限公司	Hong Kong	HK\$10,000	100%	100%	100%	100%	Investment holding
Guangdong Gudou Travel Group Company Limited 廣東古兜旅遊集團有限公司 [#] (formerly known as Guangdong Province Xinhui Gudou Hot Spring Resort Company Limited (前稱廣東省新會古兜溫泉旅遊度假邨有限公司))	The PRC	United States Dollars (“US\$”) 12,437,431	100%	100%	100%	100%	Development and operation of a resort and the development and sales of properties at the resort

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up capital	Attributable equity interest of the Group as at				Principal activities
			31 December 2014	31 May 2015	31 December 2016	Date of this report	
			%	%	%	%	
Jiangmen City Gudou Travel and Hotel Management Company Limited 江門市古兜旅遊酒店管理有限公司**	The PRC	Renminbi ("RMB") 15,000,000	100%	100%	100%	100%	Development and operation of a resort
Jiangmen City Gudou Travel and Development Company Limited 江門市古兜旅遊開發有限公司**	The PRC	RMB10,000,000	100%	100%	100%	100%	Development of tourism projects
Jiangmen City Weisheng Investment Company Limited 江門市偉盛投資有限公司**	The PRC	RMB15,000,000	100%	100%	100%	100%	Property management
Jiangmen City Weicheng Business Service Company Limited 江門市偉成商務服務有限公司**	The PRC	RMB500,000	100%	—	—	—	Planning of various promotional campaigns and organisation of conferences and exhibitions
Jiangmen City Xinhui Yueguangqu Entertainment Company Limited 江門市新會區月光曲娛樂有限公司**	The PRC	RMB500,000	100%	100%	100%	100%	Operation of entertainment business in a resort

Registered as a sino-foreign cooperative operation enterprise under the PRC law in 2001 and converted to a wholly foreign-owned enterprise under the PRC law in 2005.

** Registered as a limited liability company under the PRC law.

* Jiangmen City Weicheng Business Service Company Limited was disposed of on 26 January 2015. Details are disclosed in Note 39(a).

The statutory financial statements of HK View Top for the years ended 31 December 2014 and 2015, which was prepared in accordance with HKFRSs issued by the HKICPA, were audited by K.L. Fung & Co., Certified Public Accountants.

The statutory financial statements of subsidiaries registered in the PRC have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by the following certified

public accountants registered in the PRC. The statutory financial statements of Jiangmen City Xinhui Yueguangqu Entertainment Company Limited for the year ended 31 December 2015 was yet to be issued as at the date of the report.

Name of company	Financial year	Name of auditor
Guangdong Gudou Travel Group Company Limited (廣東古兜旅遊集團有限公司) (formerly known as Guangdong Province Xinhui Gudou Hot Spring Resort Company Limited (廣東省新會古兜溫泉旅遊度假邨有限公司))	For the years ended 31 December 2014 and 2015	Chosen Certified Public Accountants Co., Ltd. (廣東中晟會計師事務所有限公司)
Jiangmen City Gudou Travel and Hotel Management Company Limited (江門市古兜旅遊酒店管理有限公司)	For the years ended 31 December 2014 and 2015	Chosen Certified Public Accountants Co., Ltd. (廣東中晟會計師事務所有限公司)
Jiangmen City Gudou Travel and Development Company Limited (江門市古兜旅遊開發有限公司)	For the years ended 31 December 2014 and 2015	Jiangmen Bei Dou Certified Public Accountants (江門北斗會計師事務所有限公司)
Jiangmen City Weisheng Investment Company Limited (江門市偉盛投資有限公司)	For the years ended 31 December 2014 and 2015	Chosen Certified Public Accountants Co., Ltd. (廣東中晟會計師事務所有限公司)
Jiangmen City Xinhui Yueguangqu Entertainment Company Limited (江門市新會區月光曲娛樂有限公司)	For the year ended 31 December 2014	Jiangmen Xinhui Dehua CPA Firm (江門市新會德華會計師事務所)

The English name of the group companies registered in the PRC represent the best effort made by management of the Company to translate their Chinese names as they do not have an official English name.

As at the date of this report, no audited financial statements have been prepared for the Company and the companies set out below, as they either have not carried on any business since the date of incorporation, or are investment holding companies and/or not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation:

Name of companies

1. Jiangmen City Weicheng Business Service Company Limited (江門市偉成商務服務有限公司)
2. Gudou Wonderland Limited

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business is held by HK View Top. The Listing Business is mainly conducted through Guangdong Gudou and Jiangmen City Gudou Travel and Hotel Management Company Limited, which are all 100% owned subsidiaries of HK View Top. Pursuant to the Reorganisation, HK View Top and the Listing Business are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under HK View Top and, for the purpose of this report, the Financial Information has been prepared and presented as a continuation of the consolidated financial statements of HK View Top and its subsidiaries, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business under the consolidated financial statements of HK View Top for all periods presented.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied throughout the Relevant Periods, unless otherwise stated.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of investment properties.

The preparation of Financial Information 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 Financial Information are disclosed in Note 3.

2.1.1 Going concern

The Group recorded a profit of RMB58,035,000; a loss of RMB15,492,000 and RMB20,590,000 for the years ended 31 December 2014, 2015 and the five months ended 31 May 2016 respectively. In addition, the Group had net current liabilities of RMB57,806,000, RMB181,379,000 and RMB39,228,000 as at 31 December 2014, 2015 and 31 May 2016 respectively.

In preparing the Group's Financial Information for the years ended 31 December 2014 and 2015 and five months ended 31 May 2016, the directors have taken into account all information that could reasonably be expected to be available. In particular, the directors of the Company have prepared cash flow projection of the Group covering a period of not less than twelve months from 31 May 2016 taking into account the following:

- (i) The Group will continue to generate cash inflow from its hotels and resort operation;
- (ii) The Group will continue to receive proceeds from sale and pre-sale of properties in the expected timeframe and the directors are confident that the pre-sale of property projects under development will be successfully launched according to their expected timetable; and
- (iii) The Group will be able to renew its existing bank borrowings when they expire and to secure new bank loans as and when needed. As at 31 May 2016, the Group has RMB63,000,000 available uncommitted facilities and RMB6,191,000 available committed facilities. The directors of the Company believe that the bank borrowings will be repaid in accordance with the scheduled dates set out in the relevant loan agreements. Given the good track records and relationship the Group has with the banks, the directors are of the opinion that the banking facilities with the banks will be renewed when their current terms expire and the Group is able to secure new bank borrowings as and when needed. Up to 18 November 2016, the Group has subsequently drawn down RMB38,780,000 from the above mentioned available uncommitted facilities of RMB63,000,000 and obtained new bank borrowings of RMB85,255,000 from various banks with additional pledged deposits of RMB57,000,000 as security.

The directors are of the opinion that, taking into account the anticipated cash flows generated from the Group's operations as well as the possible changes in its operating performance; successful renewal of the existing bank facilities; and securing of additional financing as and when needed, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 31 May 2016. Accordingly, the directors are satisfied that it is appropriate to prepare the Financial Information on a going concern basis.

2.1.2 Adoption of new and revised Standards

During the Relevant Periods, the Group has adopted all the new and revised standards that are relevant to its operations and effective for accounting year beginning on 1 January 2016.

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

HKFRS 9	Financial Instruments ¹
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ³
Amendments to HKAS 7	Statement of Cash Flows ⁴
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴

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

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

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

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

HKFRS 9 "Financial Instruments" addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in other comprehensive income, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The Group expects that the adoption of HKFRS 9 will not have a significant impact on its financial performance and position.

Management is in the process of making an assessment on the impact of these standards, amendments and interpretations to existing HKASs and HKFRSs. According to the preliminary assessment made by the directors of the Company, no significant impact on the Group's results of operations and financial position is expected, except the following:

HKFRS 15 "Revenue from Contracts with Customers" replaces the previous revenue standards HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations on revenue recognition. The new standard is not expected to apply until the financial year of 2018. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. According to the preliminary assessment made by the directors of the Company, no significant impact is expected on the Group's revenue other than property sales. In accordance with HKFRS 15, impact on the revenue recognition may arise when multiple performance obligations are identified or when performance obligation is satisfied over time. The management is in the process of reviewing relevant property sale and purchase agreements to identify types of performance obligations and assess whether the Group has an enforceable right to payment for performance completed to date. This may have impact on the amounts and timing of recognition of property revenue. Hence, the Group is not yet in a position to provide quantified information. The directors of the Company are also of the view that the adoption of HKFRS 15 has impact on disclosures to be made in the Group's financial statements.

HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. The new standard is not expected to apply until the financial year of 2019. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The Group is a lessee of various buildings and facilities which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in note 2.7 with the Group's future operating lease commitments. HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated balance sheets. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated

balance sheets. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in property, plant and equipment and an increase in financial liabilities in the consolidated balance sheets. In the profit or loss, straight-line depreciation expense on the right-of-use asset and the interest expenses on the lease liability are recognised and no rental expenses will be recognised. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The Group's total future minimum lease payments under non-cancelable operating leases as at 31 December 2014 and 2015 and 31 May 2016 are RMB28,480,000, RMB22,531,000 and RMB23,836,000 respectively.

New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year ended 31 December 2015, which have been applied to presentation and disclosures of certain information in the Financial Information.

2.2 Consolidation

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

(a) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

(c) *Disposal of subsidiaries*

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

(d) *Separate financial statements*

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

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

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

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

(c) Group companies

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

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

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

2.5 Property, plant and equipment

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

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

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

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

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

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

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

2.6 Investment properties

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

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

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

2.7 Leases

The Group as lessee

Operating leases

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

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

*The Group as lessor**(a) Operating leases*

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

(b) Sale and leaseback transactions

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

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

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

2.8 Properties held for sale under development

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

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

2.9 Completed properties held for sale

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

2.10 Inventories

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

2.11 Recognition and derecognition of financial instruments

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

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

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

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

2.12 Accounts and other receivables

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

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

2.13 Cash and cash equivalents

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

2.14 Share capital

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

2.15 Trade payables

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

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

2.16 Financial liabilities other than trade payables

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

(a) Borrowings

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

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

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

(b) Financial guarantee contract liabilities

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

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

(c) *Puttable shares*

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

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

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

2.17 Offsetting of financial instruments

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

2.18 Revenue recognition

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

(i) *Property Sales*

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

(ii) *Room revenue*

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

(iii) Admission income

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

(iv) Catering income

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

(v) Rental income

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

(vi) Interest income

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

(vii) Massage service income

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

(viii) Conference fee income

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

2.19 Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

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

(iii) Termination benefits

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

2.20 Borrowing costs

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

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

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

2.21 Government grants

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

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

2.22 Taxation

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

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

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

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

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model

of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

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

2.23 PRC land appreciation tax ("LAT")

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

2.24 Impairment of non-financial assets

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

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

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

2.25 Impairment of financial assets

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

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

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

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

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

2.26 Provisions and contingent liabilities

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

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

2.27 Events after the reporting period

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

3 Critical accounting estimates and judgements

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

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

(a) *Useful lives of property, plant and equipment*

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

(b) *Impairment of property, plant and equipment*

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

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

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

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

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

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

(d) Fair values of investment properties

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

(e) Impairment loss for bad and doubtful debts

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

(f) Recognition and allocation of construction cost on properties for sale under development

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

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

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

(g) *Net realisable value of properties for sale under development*

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

4 Financial risk management

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

(a) *Foreign currency risk*

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

(b) *Credit risk*

The carrying amounts of accounts receivable, deposits and other receivables, cash at banks, restricted bank deposits, amount due from related party, amount due from the controlling shareholder and amounts due from related companies represent

the Group's maximum exposure to credit risk in relation to financial assets which are stated as follows:

	At 31 December		At 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Accounts receivable (Note 21)	36,948	42,567	21,032
Deposits and other receivables (Note 22)	5,295	4,151	7,764
Cash at banks (Note 26)	17,417	31,860	13,855
Restricted bank deposits (Note 25)	14,895	54,489	46,896
Amount due from a related party (Note 23)	605	—	—
Amount due from the controlling shareholder (Note 31)	1,874	—	—
Amounts due from related companies (Note 24)	23,805	—	—
	<u>100,839</u>	<u>133,067</u>	<u>89,547</u>
Maximum exposure to credit risk	<u>100,839</u>	<u>133,067</u>	<u>89,547</u>

As at 31 December 2014 and 2015 and 31 May 2016, all the bank balances and deposits were held with a reputable banks in Hong Kong and the PRC. The credit quality of cash and cash equivalents has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

In respect of accounts receivable, the Group has policies in place to ensure that sales are made to travel agencies and properties purchasers with an appropriate credit history. In order to minimise credit risk, the directors and management persons of sales department are responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual debtor regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced. As at 31 December 2014 and 2015 and 31 May 2016, the five largest accounts receivable represent approximately 16%, 62% and 59% of the total accounts receivables, respectively.

The Group performs periodic credit evaluation of the amounts due from related companies, amount due from the controlling shareholder and amount due from a related party which are closely monitored by the directors, and management believes is of high credit quality and does not expect any losses arising from non-performance by the counterparty.

(c) Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2014				
Accounts payable	51,280	—	—	—
Accruals and other payables	26,856	—	—	—
Borrowings and interest payments (<i>Note</i>)	106,411	56,637	189,991	—
Loans from shareholders and interest payments	—	58,161	—	—
Due to a related party	17,797	—	—	—
Puttable shares	—	113,115	—	—
At 31 December 2015				
Accounts payable	26,699	—	—	—
Accruals and other payables	24,732	—	—	—
Borrowings and interest payments (<i>Note</i>)	124,717	57,404	189,040	154,790
Loans from shareholders and interest payments	59,198	—	—	—
Puttable shares	119,795	—	—	—
At 31 May 2016				
Accounts payable	33,189	—	—	—
Accruals and other payables	27,382	—	—	—
Borrowings and interest payments (<i>Note</i>)	105,975	76,476	180,499	132,541
Loans from shareholders and interest payments	—	77,519	—	—
Puttable shares	—	141,336	—	—

Note:

Bank borrowings of RMB3,492,000, RMB2,924,000 and RMB2,577,000 as at 31 December 2014 and 2015 and 31 May 2016 respectively with repayment on demand clause were included under the maturity of between 2 and 5 years.

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2014				
Puttable shares	—	113,115	—	—
Financial guarantee contracts	780	—	—	—
At 31 December 2015				
Puttable shares	119,795	—	—	—
Financial guarantee contracts	123	—	—	—
At 31 May 2016				
Puttable shares	—	141,336	—	—
Financial guarantee contracts	1,352	—	—	—

(d) Interest rate risk

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

At 31 December 2014 and 2015 and 31 May 2016, if interest rates at that date had been 10 basis points lower with all other variables held constant, consolidated profit/(loss) after tax for the year/period would have been RMB1,959,000 higher, RMB2,529,000 lower and RMB2,997,000 lower respectively, arising mainly as a result of decrease in interest expense on borrowings. If interest rates had been 10 basis points higher, with all other variables held constant, consolidated profit/(loss) after tax for the year/period would have been RMB1,959,000 lower, RMB2,529,000 higher and RMB2,997,000 higher respectively, arising mainly as a result of increase in interest expense on borrowings.

(e) Capital risk management

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

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

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

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

	At 31 December		At 31 May
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total debt			
Interest-bearing bank loans, other borrowings and due to a related party	447,621	585,583	581,080
Total capital	199,507	174,864	151,878
Gearing ratio	2.2	3.3	3.8

(f) *Categories of financial instruments*

	Group		
	At 31 December	2015	At 31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loans and receivables			
Assets as per statement of financial position			
Accounts receivable	36,948	42,567	21,032
Other receivables	3,973	2,544	3,076
Restricted bank deposits	14,895	54,489	46,896
Bank and cash balances	17,939	32,599	14,622
Due from a related party	605	—	—
Due from the controlling shareholder	1,874	—	—
Due from related companies	23,805	—	—
	100,039	132,199	85,626

	Group		At 31 May 2016 RMB'000
	At 31 December 2014 RMB'000	2015 RMB'000	
	Financial liabilities measured at amortised cost		
Liabilities as per statement of financial position			
Accounts payable	51,280	26,699	33,189
Other payables	25,649	25,092	25,384
Borrowings	291,929	419,826	404,384
Loans from shareholders	48,795	59,198	63,039
Puttable shares	89,100	106,559	113,657
Due to a related party	17,797	—	—
	<u>524,550</u>	<u>637,374</u>	<u>639,653</u>

(g) Fair values

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

5 Fair value measurement

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

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

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

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

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

*(a) Disclosures of level in fair value hierarchy at the end of each reporting period:***31 December 2014**

Description	Fair value measurement using:			Total
	Level 1	Level 2	Level 3	
	RMB'000	RMB'000	RMB'000	
Recurring fair value measurements:				
Investment properties Land — held in the PRC	—	—	552,462	552,462

31 December 2015

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

31 May 2016

Description	Fair value measurement using:			Total
	Level 1	Level 2	Level 3	
	RMB'000	RMB'000	RMB'000	
Recurring fair value measurements:				
Investment properties Land — held in the PRC	—	—	544,260	544,260

(b) Reconciliation of assets measured at fair value based on level 3:

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

(c) *Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at the end of each reporting period:*

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

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

At 31 December 2014

Level 3 fair value measurements

Description	Valuation technique	Significant unobservable inputs	Range RMB'000/square metre	Effect on fair value for increase of inputs	Fair value RMB'000
Investment properties, land — held in PRC	Sales comparison approach	Price per square metre taking into account of time, location, lease term and usage	2.1 — 2.3	Increase	552,462

At 31 December 2015

Level 3 fair value measurements

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

At 31 May 2016

Level 3 fair value measurements

Description	Valuation technique	Significant unobservable inputs	Range RMB'000/square metre	Effect on fair value for increase of inputs	Fair value RMB'000
Investment properties, land — held in PRC	Sales comparison approach	Price per square metre taking into account of time, location, lease term and usage	2.4 — 2.5	Increase	544,260

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

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

6 Revenue

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

	Year ended 31 December		Five months ended 31 May	
	2014 RMB'000	2015 RMB'000	2015 RMB'000 (unaudited)	2016 RMB'000
Property sales	110,108	103,871	22,331	9,176
Room revenue	50,114	51,659	22,033	25,860
Admission income	15,697	18,917	6,736	8,318
Catering income	23,212	21,023	8,572	10,247
Rental income	980	871	352	428
Massage service income	2,388	2,045	999	893
Conference fee income	1,206	1,109	593	706
Other service income	2,763	2,658	963	1,276
	<u>206,468</u>	<u>202,153</u>	<u>62,579</u>	<u>56,904</u>

7 Other income

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Interest income	33	285	36	23
Forfeited properties sales deposits	50	4	—	51
Gain/(loss) on disposal of property, plant and equipment, net	61	(38)	—	(1)
Insurance compensation	80	—	—	—
Loss on disposal of a subsidiary (Note 39(a))	—	(16)	(16)	—
Other	219	152	106	7
	<u>443</u>	<u>387</u>	<u>126</u>	<u>80</u>

8 Segment information

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

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

Property development	—	Develop and sales of properties in the PRC
Hotel and resort operation	—	Operation of hotels and resort in the PRC

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

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

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

	Hotels and resort operation	Property development	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the year ended 31 December 2014			
REVENUE			
Revenue from external customers	96,360	110,108	206,468
Inter-segment revenue	151	—	151
	<u>96,511</u>	<u>110,108</u>	<u>206,619</u>
Total	<u>96,511</u>	<u>110,108</u>	<u>206,619</u>
RESULTS			
Segment profit	34,385	58,825	93,210
Fair value gains on investment properties			33,199
Finance costs			(23,664)
Unallocated corporate expenses			(19,907)
			<u>82,838</u>
Profit before tax			82,838
Income tax expenses			(24,803)
			<u>58,035</u>
Profit for the year			<u>58,035</u>
As at 31 December 2014			
ASSETS			
Segment assets	<u>426,045</u>	<u>94,973</u>	521,018
Property, plant and equipment for general administrative use			1,048
Investment properties for undetermined use			310,640
Prepayments, deposits and other receivables for general administrative use			4,040
Due from related companies			23,805
Due from the controlling shareholder			1,874
Due from a related party			605
Deferred tax assets			3,514
Bank and cash balances			17,939
Restricted bank deposits			14,895
			<u>899,378</u>

	Hotels and resort operation	Property development	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Segment liabilities	<u>30,490</u>	<u>75,953</u>	106,443
Accruals and other payables for general administrative use			1,747
Borrowings			291,929
Loans from shareholders			48,795
Due to a related party			17,797
Puttable shares			89,100
Current tax liabilities			8,959
Deferred tax liabilities			<u>135,101</u>
Consolidated total liabilities			<u>699,871</u>
OTHER INFORMATION			
Interest income	4	29	33
Depreciation and amortisation	15,314	176	15,490
Additions to segment non- current assets	<u>10,500</u>	<u>—</u>	<u>10,500</u>
For the year ended 31 December 2015			
REVENUE			
Revenue from external customers	<u>98,282</u>	<u>103,871</u>	<u>202,153</u>
RESULTS			
Segment profit	10,377	47,762	58,139
Fair value gains on investment properties			11,801
Finance costs			(46,442)
Unallocated corporate expenses			<u>(23,797)</u>
Loss before tax			(299)
Income tax expenses			<u>(15,193)</u>
Loss for the year			<u>(15,492)</u>

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

	Hotels and resort operation	Property development	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the five months ended 31 May 2015 (unaudited)			
REVENUE			
Revenue from external customers	40,248	22,331	62,579
RESULTS			
Segment profit	2,375	6,668	9,043
Fair value gains on investment properties			3,045
Finance costs			(21,575)
Unallocated corporate expenses			(11,081)
Loss before tax			(20,568)
Income tax credit			278
Loss for the period			(20,290)
As at 31 May 2015 (unaudited)			
ASSETS			
Segment assets	469,863	73,256	543,119
Property, plant and equipment for general administrative use			919
Investment properties for undetermined use			313,780
Prepayments, deposits and other receivables for general administrative use			5,231
Due from the controlling shareholder			3,197
Deferred tax assets			9,521
Bank and cash balances			40,498
Restricted bank deposits			24,013
			940,278

	Hotels and resort operation	Property development	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 May 2015 (unaudited)			
LIABILITIES			
Segment liabilities	33,240	42,528	75,768
Accruals and other payables for general administrative use			1,845
Borrowings			390,945
Loans from shareholders			51,342
Puttable shares			92,575
Current tax liabilities			7,663
Deferred tax liabilities			138,851
Consolidated total liabilities			758,989
OTHER INFORMATION			
Interest income	14	22	36
Depreciation and amortisation	6,354	176	6,530
Additions to segment non- current assets	2,788	—	2,788
For the five months ended 31 May 2016			
REVENUE			
Revenue from external customers	47,728	9,176	56,904
RESULTS			
Segment profit	4,514	984	5,498
Fair value gains on investment properties			5,640
Finance costs			(16,528)
Unallocated corporate expenses			(14,511)
Loss before tax			(19,901)
Income tax expenses			(689)
Loss for the period			(20,590)

	Hotels and resort operation	Property development	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 May 2016			
ASSETS			
Segment assets	447,264	136,619	583,883
Property, plant and equipment for general administrative use			681
Investment properties for undetermined use			328,320
Construction in progress for main gate construction			36,000
Prepayments, deposits and other receivables for general administrative use			8,796
Deferred tax assets			9,070
Bank and cash balances			14,622
Restricted bank deposits			46,896
			<u>1,028,268</u>
LIABILITIES			
Segment liabilities	36,667	96,627	133,294
Accruals and other payables for general administrative use			5,280
Borrowings			404,384
Loans from shareholders			63,039
Puttable shares			113,657
Current tax liabilities			10,382
Deferred tax liabilities			146,354
Consolidated total liabilities			<u>876,390</u>
OTHER INFORMATION			
Interest income	13	10	23
Depreciation and amortisation	5,952	584	6,536
Additions to segment non- current assets	29,132	—	29,132

(ii) Geographical information:

All the revenue and non-current assets are based in the PRC for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016.

(iii) Revenue from major customers:

The revenue from the Group's largest customer amounted to RMB20,700,000 or 10% and RMB21,331,000 or 11% of the Group's total turnover for the years ended 31 December 2014 and 2015 respectively. The revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue for the five months ended 31 May 2015 and 2016.

9 Finance costs

	Year ended 31 December		Five months ended 31 May	
	2014 RMB'000	2015 RMB'000	2015 RMB'000 (unaudited)	2016 RMB'000
Finance costs:				
— Bank borrowings interest expenses	24,693	23,843	9,727	9,225
— Bank borrowings early repayment charge	—	5,879	5,879	—
— Puttable shares interest expenses (Note 35)	2,606	11,893	4,178	5,866
— Loans from shareholders	1,315	7,331	2,956	3,159
	<u>28,614</u>	<u>48,946</u>	<u>22,740</u>	<u>18,250</u>
Amounts capitalised to properties held for sale	(3,748)	(1,057)	(787)	(1,193)
Amounts capitalised to investment properties and property, plant and equipment	<u>(1,202)</u>	<u>(1,447)</u>	<u>(378)</u>	<u>(529)</u>
Total finance costs	<u><u>23,664</u></u>	<u><u>46,442</u></u>	<u><u>21,575</u></u>	<u><u>16,528</u></u>

Borrowing costs on funds borrowed generally for construction in progress are capitalised at a rate of 7.64%, 7.94%, 7.94% and 8.32% per annum for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively.

10 Income tax expenses/(credit)

For the years ended 31 December 2014 and 2015 and five months ended 31 May 2015 and 2016, no provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong. The Group's subsidiaries in the PRC are subject to the PRC enterprise income tax at a rate of 25% on estimated assessable profits.

	Year ended 31 December		Five months ended 31 May	
	2014 RMB'000	2015 RMB'000	2015 RMB'000 (unaudited)	2016 RMB'000
Current tax				
Hong Kong profits tax	—	—	—	—
PRC enterprise income tax	8	4	4	5
Land appreciation tax	8,532	9,180	1,975	996
	8,540	9,184	1,979	1,001
Deferred tax (<i>Note 36</i>)	16,263	6,009	(2,257)	(312)
	<u>24,803</u>	<u>15,193</u>	<u>(278)</u>	<u>689</u>

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

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

	Year ended 31 December		Five months ended 31 May	
	2014 RMB'000	2015 RMB'000	2015 RMB'000 (unaudited)	2016 RMB'000
Profit/(loss) before tax	<u>82,838</u>	<u>(299)</u>	<u>(20,568)</u>	<u>(19,901)</u>
Tax at the domestic income tax rate of 25%	20,710	(75)	(5,142)	(4,975)
Tax effect on LAT deductible for calculation of income tax purpose	(2,133)	(2,295)	(494)	(249)
Tax income not taxable	(9)	(69)	(26)	—
Tax effect of expenses that are not deductible for tax purposes	2,508	9,401	3,409	4,917
Tax effect of utilisation of previously unrecognised tax loss	(4,895)	(1,025)	—	—
Tax effect of unused tax losses not recognised	90	76	—	—
LAT	<u>8,532</u>	<u>9,180</u>	<u>1,975</u>	<u>996</u>
	<u><u>24,803</u></u>	<u><u>15,193</u></u>	<u><u>(278)</u></u>	<u><u>689</u></u>

11 Profit/(loss) for the year/period

The Group's profit/(loss) for the year/period is stated after charging/(crediting) the following:

	Year ended 31 December		Five months ended 31 May	
	2014 RMB'000	2015 RMB'000	2015 RMB'000	2016 RMB'000
			(unaudited)	
Auditor's remuneration				
— Audit services	130	75	31	75
Amortisation of prepaid land lease payments	326	326	137	111
Cost of properties sold	42,178	42,904	10,039	3,959
Cost of goods sold	8,678	8,129	3,406	4,259
Amortisation on prepayment for renovation for properties held for sales	—	—	—	5,585
Depreciation on property, plant and equipment	15,164	15,680	6,393	6,425
Employee benefit expenses (including directors' emoluments) (Note 12)	30,833	43,340	18,085	19,341
Listing expenses	4,901	8,768	5,062	7,965
Operating lease rental in respect of land and buildings	11,073	10,463	4,468	3,566
Utilities expenses	7,534	7,178	3,807	3,967
Advertising and promotion expenses	5,361	8,214	5,204	3,695
Sales tax	13,629	13,554	3,447	3,667
Repair and maintenance	988	2,396	1,092	965
Cleaning expenses	2,364	2,405	1,308	1,793
Entertainment and travelling expenses	1,298	1,439	884	1,023
Others	15,076	12,869	4,046	3,601
	<u>159,533</u>	<u>177,740</u>	<u>67,409</u>	<u>69,997</u>
Total cost of sales, selling expenses and administrative expenses				

12 Employee benefit expenses (including directors' emoluments)

	Year ended 31 December		Five months ended 31 May	
	2014 RMB'000	2015 RMB'000	2015 RMB'000	2016 RMB'000
			(unaudited)	
Salaries, bonus and allowances	29,627	40,324	16,992	17,557
Pension costs — defined contribution plans	1,206	3,016	1,093	1,784
	<u>30,833</u>	<u>43,340</u>	<u>18,085</u>	<u>19,341</u>

(a) Pension costs — defined contribution plans

The Group has arranged for its Hong Kong employees to join certain Mandatory Provident Fund Schemes (the “MPF Schemes”), defined contribution schemes managed by independent trustees. Under the MPF Schemes, each of the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees’ earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HK\$1,500 from 1 June 2014 onwards (before 1 June 2014: HK\$1,250), and thereafter contributions are voluntary. The Group has no further obligations for post-retirement benefits beyond the contributions.

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

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

(b) Directors’ emoluments

The emoluments of each director of the Company were set out below:

Name	Salary RMB'000	Discretionary bonus RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Five months ended 31 May 2016				
<i>Executive directors</i>				
Mr. Hon Chi Ming (Note (a))	112	—	7	119
Mr. Huang Zhanxiong (Note (d))	86	—	9	95
Ms. Zhen Yaman (Note (e))	—	—	—	—
<i>Non-executive directors</i>				
Mr. Hon Ka Fung (Note (c))	27	—	3	30
Mr. Hui Chin Tong, Godfrey (Note (b))	—	—	—	—
	<u>225</u>	<u>—</u>	<u>19</u>	<u>244</u>

Name	Salary RMB'000	Discretionary bonus RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Five months ended 31 May 2015				
(unaudited)				
<i>Executive directors</i>				
Mr. Hon Chi Ming (<i>Note (a)</i>)	112	—	7	119
Mr. Huang Zhanxiong (<i>Note (d)</i>)	71	—	7	78
<i>Non-executive directors</i>				
Mr. Hon Ka Fung (<i>Note (c)</i>)	26	—	3	29
Mr. Hui Chin Tong, Godfrey (<i>Note (b)</i>)	—	—	—	—
	<u>209</u>	<u>—</u>	<u>17</u>	<u>226</u>
Year ended 31 December 2015				
<i>Executive directors</i>				
Mr. Hon Chi Ming (<i>Note (a)</i>)	269	22	20	311
Mr. Huang Zhanxiong (<i>Note (d)</i>)	192	—	20	212
<i>Non-executive directors</i>				
Mr. Hon Ka Fung (<i>Note (c)</i>)	63	5	8	76
Mr. Hui Chin Tong, Godfrey (<i>Note (b)</i>)	—	—	—	—
	<u>524</u>	<u>27</u>	<u>48</u>	<u>599</u>
Year ended 31 December 2014				
<i>Executive director</i>				
Mr. Hon Chi Ming (<i>Note (a)</i>)	268	36	—	304
<i>Non-executive directors</i>				
Mr. Hon Ka Fung (<i>Note (c)</i>)	12	—	1	13
Mr. Hui Chin Tong, Godfrey (<i>Note (b)</i>)	—	—	—	—
	<u>280</u>	<u>36</u>	<u>1</u>	<u>317</u>

Notes:

- (a) Appointed on 10 January 2014
- (b) Appointed on 29 September 2014
- (c) Appointed on 24 November 2014
- (d) Appointed on 13 February 2015
- (e) Appointed on 19 May 2016

No director fees were paid to these directors in their capacity as directors of the Company or the subsidiaries and no emoluments were paid by the Company or the subsidiaries to the directors as an inducement to join the Company, or as compensation for loss of office during each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016.

No directors waived any emoluments during each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016 include one, two, two and two directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four, three, three and three individuals during the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively are as follows:

	Year ended 31 December		Five months ended 31 May	
	2014 RMB'000	2015 RMB'000	2015 RMB'000	2016 RMB'000
Salaries, bonus and allowances	1,234	1,251	560	632
Pension costs — defined contribution plans	19	38	18	17
	<u>1,253</u>	<u>1,289</u>	<u>578</u>	<u>649</u>

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

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015 (unaudited)	2016
Emolument band (in HK dollar) Nil to HK\$1,000,000	<u>4</u>	<u>3</u>	<u>3</u>	<u>3</u>

13 Benefits and interests of directors

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

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

Name of director	Total amount payable RMB'000	Outstanding amount at the beginning of the year RMB'000	Outstanding amount at the end of the year RMB'000	Maximum outstanding amount during the year RMB'000	Amount due but not been paid RMB'000	Provision for doubtful debts made RMB'000	Term	Interest rate	Security
At 31 December 2014									
Quasi-loans or credit transactions:									
Mr. Hon Chi Ming	1,874	—	1,874	1,874	—	—	Repayable on demand	Nil	Nil
At 31 December 2015									
Quasi-loans or credit transactions:									
Mr. Hon Chi Ming	—	1,874	—	1,874	—	—	Repayable on demand	Nil	Nil

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

Name of borrower	Total amount payable RMB'000	Outstanding amount at the beginning of the year RMB'000	Outstanding amount at the end of the year RMB'000	Maximum outstanding amount during the year RMB'000	Amount due but not paid RMB'000	Provision for doubtful debts made RMB'000	Term	Interest rate	Security
At 31 December 2014									
Quasi-loans or credit transactions:									
Kaiping Gudou Investment and Development Company Limited (開平市古兜投資開發有限公司) (Note 24)	22,663	75,924	22,663	75,924	—	—	Repayable on demand	Nil	Nil
Kaiping Gudou Hotel Investment and Management Company Limited (開平市古兜酒店投資管理有限公司) (Note 24)	1,142	22,390	1,142	22,390	—	—	Repayable on demand	Nil	Nil

Name of borrower	Total amount payable	Outstanding amount at the beginning of the year	Outstanding amount at the end of the year	Maximum outstanding amount during the year	Amount due but not paid	Provision for doubtful debts made	Term	Interest rate	Security	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000				
Jianguen Quanda Trading Company Limited (江門市全大貿易有限公司)	—	61,976	—	75,810	—	—	Repayable on demand	Nil	Nil	
At 31 December 2015										
Quasi-loans or credit transactions:										
Kaiping Gudou Investment and Development Company Limited (開平市古兜投資開發有限公司) (Note 24)	—	22,663	—	22,663	—	—	Repayable on demand	Nil	Nil	
Kaiping Gudou Hotel Investment and Management Company Limited (開平市古兜酒店投資管理有限公司) (Note 24)	—	1,142	—	1,142	—	—	Repayable on demand	Nil	Nil	

- (iii) The information about loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company, where applicable, in favour of certain connected entities of Mr. Hon Chi Ming, a director of the holding company of the Company, is as follows:

Name of the borrower	Nature of connection	Total amount payable	Outstanding amount at the beginning of the year	Outstanding amount at the end of the year	Maximum outstanding amount during the year	Amount due but not paid	Provision for doubtful debts made	Term	Interest rate	Security
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
At 31 December 2014										
Quasi-loans or credit transactions:										
Pengjiang Zhixing Trading Company (蓬江區志醒貿易部)	Affiliate of Mr. Hon Chi Ming	—	2,000	—	2,000	—	—	Nil	Nil	Nil
Pengjiang Quanjing Construction and Decoration Company (蓬江區全景建築工程部)	Affiliate of Mr. Hon Chi Ming	—	5,210	—	15,420	—	—	Nil	Nil	Nil

There are no outstanding loans, quasi-loans or other dealings in favour of the directors, their controlled bodies' corporate and connected entities as at 31 December 2015 and 31 May 2016.

14 Earnings/(loss) per share

(a) Basic

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

	Year ended 31 December		Five months ended 31 May	
	2014 RMB'000	2015 RMB'000	2015 RMB'000 (unaudited)	2016 RMB'000
Profit/(loss) attributable to owners of the Company (RMB'000)	58,036	(15,492)	(20,290)	(20,590)
Weighted average number of ordinary shares in issue ('000) (<i>Note</i>)	<u>33,282</u>	<u>28,500</u>	<u>28,500</u>	<u>28,500</u>
Basic earnings/(losses) per share (RMB)	<u>1.744</u>	<u>(0.544)</u>	<u>(0.712)</u>	<u>(0.722)</u>

Note:

The weighted average number of ordinary shares were calculated by deducting the weighted average of puttable shares.

(b) Diluted

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

- (i) it is assumed that at the beginning of the year/period sufficient ordinary shares to be issued (at the average market price during the year/period) to raise proceeds to satisfy the contract;
- (ii) it is assumed that the proceeds from the issue are used to satisfy the contract (ie to buy back ordinary shares); and

- (iii) the incremental ordinary shares (the difference between the number of ordinary shares assumed to be issued and the number of ordinary shares received from satisfying the contract) is included in the calculation of diluted earnings per share.

	Year ended 31 December 2014 <i>RMB'000</i>
Profit attributable to owners of the Company	58,036
Finance costs saving on repurchase of puttable shares	<u>2,606</u>
Profit for the purpose of calculating diluted earnings per share	60,642
	<i>'000</i>
Weighted average number of ordinary shares in issue	33,282
Incremental ordinary shares	<u>1,635</u>
Weighted average number of ordinary shares for diluted earnings per share	34,917
Diluted earnings per share (<i>RMB</i>)	<u><u>1.737</u></u>

For the year ended 31 December 2015 and the five months ended 31 May 2015 and 2016, the diluted earnings per share were equal to the basic earnings per share because the Company was in loss position.

15 Property, plant and equipment

	Group					Total RMB'000
	Buildings RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	
Cost						
At 1 January 2014	149,788	23,543	76,369	5,966	8,615	264,281
Additions	—	2,140	3,405	722	3,175	9,442
Reclassification	—	—	933	—	(933)	—
Disposals	—	—	—	(368)	—	(368)
Exchange differences	—	—	2	5	—	7
At 31 December 2014 and 1 January 2015	149,788	25,683	80,709	6,325	10,857	273,362
Additions	—	1,092	5,857	989	40,414	48,352
Reclassification	—	—	713	—	(713)	—
Disposals	—	—	—	(747)	—	(747)
Disposal of a subsidiary	—	(33)	—	—	—	(33)
Exchange differences	—	4	33	92	—	129
At 31 December 2015 and 1 January 2016	149,788	26,746	87,312	6,659	50,558	321,063
Additions	—	5,596	1,835	226	24,942	32,599
Transfer from investment properties	—	—	—	—	22,924	22,924
Disposals	—	(3)	—	—	—	(3)
Exchange differences	—	—	5	20	—	25
At 31 May 2016	<u>149,788</u>	<u>32,339</u>	<u>89,152</u>	<u>6,905</u>	<u>98,424</u>	<u>376,608</u>
Accumulated depreciation						
At 1 January 2014	56,271	19,701	12,854	4,722	—	93,548
Charge for the year	7,480	1,778	5,281	625	—	15,164
Disposals	—	—	—	(368)	—	(368)
Exchange differences	—	—	—	4	—	4
At 31 December 2014 and 1 January 2015	63,751	21,479	18,135	4,983	—	108,348
Charge for the year	7,519	1,812	5,594	755	—	15,680
Disposals	—	—	—	(709)	—	(709)
Exchange differences	—	2	11	64	—	77
At 31 December 2015 and 1 January 2016	71,270	23,293	23,740	5,093	—	123,396
Charge for the year	2,489	835	2,810	291	—	6,425
Disposals	—	(2)	—	—	—	(2)
Exchange differences	—	(4)	(23)	(12)	—	(39)
At 31 May 2016	<u>73,759</u>	<u>24,122</u>	<u>26,527</u>	<u>5,372</u>	<u>—</u>	<u>129,780</u>

	Group					Total RMB'000
	Buildings RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	
Carrying amount						
At 31 May 2016	76,029	8,217	62,625	1,533	98,424	246,828
At 31 December 2015	78,518	3,453	63,572	1,566	50,558	197,667
At 31 December 2014	86,037	4,204	62,574	1,342	10,857	165,014

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

The carrying amount of Group's buildings amounting to RMB65,205,000, RMB59,746,000 and RMB61,737,000 were pledged as securities for the Group's borrowings at 31 December 2014 and 2015 and 31 May 2016 respectively (Note 30).

Depreciation expense of RMB13,888,000, RMB14,207,000, RMB5,899,000 and RMB5,934,000 for the years/periods ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016 has been included in cost of sales respectively.

Depreciation expense of RMB1,276,000, RMB1,473,000, RMB494,000 and RMB491,000 for the years/periods ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016 has been included in administrative expenses respectively.

At 31 December 2014, the building ownership certificates of certain buildings amounted to RMB5,366,000 (31 December 2015: Nil and 31 May 2016: Nil) have not yet been issued by the relevant authority. According to the legal advisor of the Group, the Group still has the rights to occupy these buildings, but its right to transfer, assign or dispose of the buildings were prohibited unless and until they formally receive the building ownership certificates. As at the date of this report, the building ownership certificates have been issued.

16 Prepaid land lease payments

	Group		
	At 31 December 2014 RMB'000	At 31 December 2015 RMB'000	At 31 May 2016 RMB'000
At beginning of year/period	9,333	9,007	8,457
Amortisation of prepaid land lease payments	(326)	(326)	(111)
Transfer to properties held for sale under development	—	(224)	—
At end of year/period	9,007	8,457	8,346
Less: Current portion	(326)	(326)	(326)
Non-current portion	8,681	8,131	8,020

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

	Group		
	At 31 December		At 31 May
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
In the PRC:			
Long leases	2,503	2,448	2,429
Medium-term leases	6,504	6,009	5,917
	<u>9,007</u>	<u>8,457</u>	<u>8,346</u>

The carrying amount of prepaid land lease payments amounting to RMB6,644,000, RMB7,413,000 and RMB7,114,000 were pledged as securities for the Group's borrowings at 31 December 2014 and 2015 and 31 May 2016 respectively (Note 30).

17 Investment properties

	At 31 December		At 31 May
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost			
At beginning of year/period	492,280	552,462	574,610
Additions	1,058	805	—
Fair value gains to profit or loss	59,124	21,343	9,640
Transfer to property, plant and equipment	—	—	(22,924)
Transfer to properties held for sale	—	—	(17,066)
	<u>552,462</u>	<u>574,610</u>	<u>544,260</u>

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

	At 31 December		At 31 May
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
In the PRC:			
Medium-term leases	<u>552,462</u>	<u>574,610</u>	<u>544,260</u>

- (a) The Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through use. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties (Note 36).

- (b) The fair value of the Group's investment properties at 31 December 2014 and 2015 and 31 May 2016 were based on valuations carried out by LCH (Asia-Pacific) Surveyors Limited, an independent qualified professional valuer not connected with the Group. The revaluation gains or losses are included in "Fair value gains on investment properties" in profit or loss. The following table analyses the investment properties carried at fair value, by valuation method.
- (c) The fair value of Group's investment properties amounting to RMB215,850,000, RMB396,810,000 and RMB302,710,000 were pledged as security for the Group's borrowings at 31 December 2014 and 2015 and 31 May 2016 respectively (Note 30).

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

	At 31 December		At 31 May
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Recurring fair value measurements			
— Land held for undetermined use	310,640	322,680	328,320
— Land held for development of investment properties	241,822	251,930	215,940
	<u>552,462</u>	<u>574,610</u>	<u>544,260</u>

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

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

	Land held for undetermined use	Land held for development of investment properties	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2014	277,140	215,140	492,280
Additions	301	757	1,058
Fair value gains	33,199	25,925	59,124
At 31 December 2014	<u>310,640</u>	<u>241,822</u>	<u>552,462</u>
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Fair value gains on investment properties"	<u>33,199</u>	<u>25,925</u>	<u>59,124</u>

	Land held for undetermined use <i>RMB'000</i>	Land held for development of investment properties <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2015	310,640	241,822	552,462
Additions	239	566	805
Fair value gains	11,801	9,542	21,343
	<u>322,680</u>	<u>251,930</u>	<u>574,610</u>
At 31 December 2015			
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Fair value gains on investment properties"	<u>11,801</u>	<u>9,542</u>	<u>21,343</u>
At 1 January 2016	322,680	251,930	574,610
Fair value gains	5,640	4,000	9,640
Transfer to property, plant and equipment	—	(22,924)	(22,924)
Transfer to properties held for sale	—	(17,066)	(17,066)
	<u>328,320</u>	<u>215,940</u>	<u>544,260</u>
At 31 May 2016			
Total gains or losses for the period included in profit or loss for assets held at the end of the year, under "Fair value gains on investment properties"	<u>5,640</u>	<u>4,000</u>	<u>9,640</u>

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2014 and 2015 and 31 May 2016 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department review the valuations performed by the independent valuers for financial reporting purposes. These valuation results are then reported to the Group's management for discussions and review in relation to the valuation processes and the reasonableness of valuation results. As at 31 December 2014 and 2015 and 31 May 2016, the fair values of the properties have been determined by LCH (Asia-Pacific) Surveyors Limited.

Valuation techniques

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

*Information about fair value measurements using significant unobservable inputs (Level 3)***As at 31 May 2016**

Description	Fair value RMB'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
Land held for undetermined use	328,320	Sales comparison approach	Price per sq.m.	RMB 2,499 per sq.m.	The higher the price per sq.m. the higher the fair value
Land held for development of investment properties	215,940	Sales comparison approach	Price per sq.m.	RMB 2,499 per sq.m.	The higher the price per sq.m. the higher the fair value

As at 31 December 2015

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

As at 31 December 2014

Description	Fair value RMB'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
Land held for undetermined use	310,640	Sales comparison approach	Price per sq.m.	RMB2,300 per sq.m.	The higher the price per sq.m. the higher the fair value
Land held for development of investment properties	241,822	Sales comparison approach	Price per sq.m.	RMB2,300 per sq.m.	The higher the price per sq.m. the higher the fair value

18 Investment in a subsidiary

	Company		
	At 31 December 2014 RMB'000	2015 RMB'000	At 31 May 2016 RMB'000
Unlisted investments, at cost	208,587	208,587	208,587
Due from a subsidiary	27,854	29,488	29,820
	<u>236,441</u>	<u>238,075</u>	<u>238,407</u>

The amount due from a subsidiary represents advances to a subsidiary and is unsecured, interest-free and repayable on demand.

Particulars of the subsidiaries at the end of each reporting period are described in Note 1.2.

19 Properties held for sale

	Group		
	At 31 December		At 31 May
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Completed properties held for sale			
— Leasehold land	1,115	284	209
— Construction costs and capitalised expenditures	54,427	14,368	10,833
— Interest capitalised	2,474	278	111
	<u>58,016</u>	<u>14,930</u>	<u>11,153</u>
Properties held for sale under development			
— Leasehold land	965	1,189	18,255
— Construction costs and capitalised expenditures	139	19,392	44,594
— Interest capitalised	99	1,412	2,150
	<u>1,203</u>	<u>21,993</u>	<u>64,999</u>
	<u><u>59,219</u></u>	<u><u>36,923</u></u>	<u><u>76,152</u></u>

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

	At 31 December		At 31 May
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
In the PRC			
— Long lease	47	—	—
— Medium-term leases	2,033	1,473	18,464
	<u>2,080</u>	<u>1,473</u>	<u>18,464</u>
	<u><u>2,080</u></u>	<u><u>1,473</u></u>	<u><u>18,464</u></u>

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

	At 31 December		At 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Within one year	1,203	21,993	47,706
After one year	—	—	17,293
	<u>1,203</u>	<u>21,993</u>	<u>64,999</u>

20 Inventories

Inventories comprised merchandise goods at 31 December 2014 and 2015 and 31 May 2016. Inventories are stated at lower of cost or net realisable value.

21 Accounts receivable

	At 31 December		At 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Accounts receivable	<u>36,948</u>	<u>42,567</u>	<u>21,032</u>

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

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

	Group								
	At 31 December						At 31 May		
	2014			2015			2016		
Travel agencies	Property purchasers	Total	Travel agencies	Property purchasers	Total	Travel agencies	Property purchasers	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Up to 30 days	3,789	30,433	34,222	6,459	33,932	40,391	570	14,889	15,459
31 to 60 days	1,630	—	1,630	1,470	—	1,470	439	—	439
61 to 90 days	532	—	532	331	—	331	302	—	302
91 to 180 days	198	—	198	106	—	106	3,277	—	3,277
181 to 365 days	55	—	55	132	—	132	994	—	994
1 to 2 years	285	—	285	137	—	137	498	—	498
Over 2 years	26	—	26	—	—	—	63	—	63
	<u>6,515</u>	<u>30,433</u>	<u>36,948</u>	<u>8,635</u>	<u>33,932</u>	<u>42,567</u>	<u>6,143</u>	<u>14,889</u>	<u>21,032</u>

The maximum exposure to credit risk as at 31 December 2014 and 2015 and 31 May 2016 was the carrying value of accounts receivable mentioned above. The carrying amounts of accounts receivable were denominated in RMB.

As of 31 December 2014, accounts receivable of RMB6,400,000 were pledged to secure a trust financing arrangement as set out in Note 30 to the Financial Information.

As of 31 December 2015 and 31 May 2016, accounts receivable of RMB8,572,000 and RMB5,990,000 respectively, were pledged to secure a bank loan as set out in Note 30 to the Financial Information.

As of 31 December 2014 and 2015 and 31 May 2016, accounts receivable of RMB779,000, RMB682,000 and RMB1,806,000 respectively were past due but not impaired. These relate to a number of independent travel agencies and corporate customers for whom there is no recent history of default. The aging analysis of these accounts receivable is as follows:

	Group								
	At 31 December						At 31 May		
	2014			2015			2016		
Travel agencies	Property purchasers	Total	Travel agencies	Property purchasers	Total	Travel agencies	Property purchasers	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Up to 30 days	380	—	380	465	—	465	1,181	—	1,181
31 to 60 days	44	—	44	5	—	5	51	—	51
61 to 90 days	29	—	29	22	—	22	65	—	65
91 to 180 days	92	—	92	52	—	52	21	—	21
181 to 365 days	164	—	164	92	—	92	405	—	405
1 to 2 years	44	—	44	46	—	46	20	—	20
Over 2 years	26	—	26	—	—	—	63	—	63
	<u>779</u>	<u>—</u>	<u>779</u>	<u>682</u>	<u>—</u>	<u>682</u>	<u>1,806</u>	<u>—</u>	<u>1,806</u>

22 Prepayments, deposits and other receivables

	Group		
	At 31 December		At 31 May
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current portion			
Prepayment for renovation for properties held for sale (<i>Note a</i>)	—	22,923	21,249
Deposit of purchase of property, plant and equipment	—	3,500	—
	—	26,423	21,249
Current portion			
Prepayments			
— Renovation for properties held for sale (<i>Note a</i>)	—	13,404	13,559
— Prepaid rental for sales and leaseback transactions (<i>Note b</i>)	2,440	1,835	1,561
— Listing expenses	1,634	4,838	7,618
— Others	1,153	1,383	5,751
	5,227	21,460	28,489
Other receivables	3,973	2,544	3,076
Deposits	1,322	1,607	4,688
	10,522	25,611	36,253
	<u>10,522</u>	<u>52,034</u>	<u>57,502</u>

Notes:

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

23 Due from a related party

Amount due from a related party as at 31 December 2014 and 2015 and 31 May 2016 is as follows:

Name	Name of directors having beneficial interest	Group					Maximum amount outstanding during the five months ended 31 May 2016 RMB'000
		At 31 December		At 31 May	Maximum amount outstanding during the year ended 31 December		
		2014 RMB'000	2015 RMB'000	2016 RMB'000	2014 RMB'000	2015 RMB'000	
Mr. Wang Jun (key management personnel)	N/A	605	—	—	605	605	—

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

24 Due from related companies

Amounts due from related companies as at 31 December 2014 and 2015 and 31 May 2016 are as follows:

Name	Name of directors having beneficial interest	Group					Maximum amount outstanding during the five months ended 31 May 2016 RMB'000
		At 31 December		At 31 May	Maximum amount outstanding during the year ended 31 December		
		2014 RMB'000	2015 RMB'000	2016 RMB'000	2014 RMB'000	2015 RMB'000	
Kaiping Gudou Investment and Development Company Limited (開平市古兜投資開發有限公司) (Note 13 (a)(ii))	Mr. Hon Chi Ming	22,663	—	—	75,924	22,663	—
Kaiping Gudou Hotel Investment and Management Company Limited (開平市古兜酒店投資管理有限公司) (Note 13 (a)(ii))	Mr. Hon Chi Ming	1,142	—	—	22,390	1,142	—
		23,805	—	—			

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

25 Restricted bank deposits

	Group		
	At 31 December		At 31 May
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Guarantee deposits for construction of properties held for sale	14,895	9,769	3,644
Pledged bank deposits (<i>Note 30</i>)	—	44,720	43,252
	<u>14,895</u>	<u>54,489</u>	<u>46,896</u>

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

Restricted bank deposits of RMB44,720,000 and RMB43,252,000 were pledged to secure bank loans as set out in Note 30 to the Financial Information as at 31 December 2015 and 31 May 2016 respectively.

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

As at 31 December 2014 and 2015 and 31 May 2016, the restricted bank deposits of the Group are all denominated in RMB. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

26 Bank and cash balances

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

	Group		
	At 31 December		At 31 May
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	12,233	27,034	12,840
HK\$	5,706	5,565	1,782
	<u>17,939</u>	<u>32,599</u>	<u>14,622</u>

27 Accounts payable

The aging analysis of the Group's accounts payable, based on the date of receipt of goods or services rendered, is as follows:

	Group		
	At 31 December	At 31 May	
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Up to 90 days	27,032	12,948	18,829
91 to 180 days	3,854	4,301	6,194
181 to 365 days	1,030	5,626	4,482
1 to 2 years	18,135	250	1,254
Over 2 years	1,229	3,574	2,430
	<u>51,280</u>	<u>26,699</u>	<u>33,189</u>

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

28 Proceeds received from pre-sale of properties

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

29 Accruals and other payables

	Group		
	At 31 December		At 31 May
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Receipts in advance from customers	8,080	12,856	12,662
Other payables			
— Advances from PRC government (Note)	18,000	18,000	18,000
— Others	7,649	7,092	7,384
	<u>25,649</u>	<u>25,092</u>	<u>25,384</u>
Accruals			
— Staff cost	3,236	3,900	3,131
— Other tax payables	8,547	6,400	7,366
— Listing expenses	1,242	2,237	3,670
— Others	9,418	9,003	8,962
	<u>22,443</u>	<u>21,540</u>	<u>23,129</u>
	<u><u>56,172</u></u>	<u><u>59,488</u></u>	<u><u>61,175</u></u>

Note:

- (a) The amounts represent the subsidies from the PRC government provided to the Group to enhance and upgrade the facilities. The related facilities were still under construction as at 31 December 2014 and 2015 and 31 May 2016. The amounts are to be recognised in the profit or loss when the Group complies with all attached conditions.
- (b) The carrying amount of the Group's accounts payable approximate their fair value.
- (c) The carrying amounts of the group's accruals and other payables are denominated in the following currencies:

	Group		
	At 31 December		At 31 May
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	54,930	57,251	57,506
HK\$	1,242	2,237	3,669
	<u>56,172</u>	<u>59,488</u>	<u>61,175</u>

30 Borrowings

	Group		
	At 31 December 2014	2015	At 31 May 2016
	RMB'000	RMB'000	RMB'000
Bank loans (<i>Note a</i>)	103,678	419,826	404,384
Trust financing arrangement (<i>Note b</i>)	188,251	—	—
	<u>291,929</u>	<u>419,826</u>	<u>404,384</u>

The borrowings are repayable as follows:

	At 31 December		At 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Within one year	89,075	103,910	86,535
Between one and two years	42,981	39,456	28,838
Between two to five years	156,381	140,017	167,816
Over five years	—	133,519	118,618
	<u>288,437</u>	<u>416,902</u>	<u>401,807</u>
Portion of bank loans that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	<u>3,492</u>	<u>2,924</u>	<u>2,577</u>
	291,929	419,826	404,384
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(92,567)</u>	<u>(106,834)</u>	<u>(89,113)</u>
Amount due for settlement after 12 months	<u>199,362</u>	<u>312,992</u>	<u>315,271</u>

Note:

- (a) The Group's bank borrowings were secured by guarantees issued by subsidiaries of the Group, personal guarantees of Mr. Hon Chi Ming ("Mr. Hon") and his spouse ("Mrs. Hon"), a property owned by Mr. and Mrs. Hon, a property owned by a related company held by Mrs. Hon, villas owned by third parties and the pledges of the Group's assets with carrying values at the end of each reporting period as follows:

	<i>Note</i>	Group		
		At 31 December 2014	2015	At 31 May 2016
		RMB'000	RMB'000	RMB'000
Property, plant and equipment	15	—	59,746	61,737
Prepaid land lease payments	16	2,994	7,413	7,114
Investment properties	17	115,056	396,810	302,710
Pledged bank deposits	25	—	44,720	43,252
Accounts receivable	21	—	8,572	5,990
		<u>—</u>	<u>416,961</u>	<u>318,803</u>

The Group has undrawn borrowing facilities amounting to RMB35,000,000, RMB51,173,000 and RMB71,564,000 as at 31 December 2014 and 2015 and 31 May 2016, respectively.

- (b) Trust financing arrangement represents borrowing received from a trust financing company. The substance of the trust financing arrangement is borrowing, with the right on revenue of hotels and resort operation transferred to the trust financing company as collateral. The borrowings under trust financing arrangements were also secured by the pledges of the Group's assets with carrying values at the end of each reporting period as follows:

	Note	Group		
		At 31 December		At 31 May
		2014	2015	2016
		RMB'000	RMB'000	RMB'000
Property, plant and equipment	15	65,205	—	—
Prepaid land lease payments	16	3,650	—	—
Investment properties	17	100,794	—	—
Accounts receivable	21	6,400	—	—
		<u>64,949</u>	<u>—</u>	<u>—</u>

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	HKS	RMB	Total
	RMB'000	RMB'000	RMB'000
31 December 2014			
Bank loans	19,318	84,360	103,678
Trust financing arrangement	—	188,251	188,251
	<u>19,318</u>	<u>272,611</u>	<u>291,929</u>
31 December 2015			
Bank loans	<u>38,578</u>	<u>381,248</u>	<u>419,826</u>
31 May 2016			
Bank loans	<u>30,997</u>	<u>373,387</u>	<u>404,384</u>

Details of interest rates are set at below:

	At 31 December		At 31 May
	2014	2015	2016
Short-term bank loans (floating rate)	7.45%	4.80%	5.18%
Short-term bank loans (fixed rate)	—	4.79%	4.79%
Long-term bank loans (floating rate)	8.13%	5.81%	5.63%
Trust financing arrangement (floating rate)	8.46%	N/A	N/A
Long-term bank loans (fixed rate)	<u>N/A</u>	<u>7.19%</u>	<u>7.19%</u>

- (c) The carrying amounts of the Group's borrowings approximate their fair values.
- (d) The Group's effective interest rate of the borrowings was 7.2%, 6.2%, 6.2% and 6.2% for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016 respectively.

31 Due from the controlling shareholder

The amount due from Mr. Hon, is unsecured, interest-free, and repayable on demand.

32 Due to a related party

As of 31 December 2014, the amount due to a related party represents amount due to a fellow subsidiary controlled by Mr. Hon. The amount is unsecured, interest-free, and repayable on demand.

33 Loans from shareholders

The loans are interest bearing at 15% per annum and repayable on or before 5 March 2016. The loans are secured by personal guarantees of Mr. Hon Chi Ming and corporate guarantees of the Company. The lenders do not have the right to call the loan before the maturity date. Accordingly, the loans were classified as non-current liabilities and current liabilities as at 31 December 2014 and 2015 respectively.

The loans from shareholders have been expired on 5 March 2016. Pursuant to the deeds of confirmation dated 2 March 2016, the loans including the interest incurred were extended for 24 months to 5 March 2018, which is 42 months commencing from the date of the respective loan agreements. Accordingly, the loans were classified as non-current liabilities as at 31 May 2016.

The Group's effective interest rate of the loans from shareholders was 14.5%, 14.5%, 14.5% and 11.6% for the year ended 31 December 2014 and 2015 and five months ended 31 May 2015 and 2016 respectively.

34 Financial guarantee contracts liabilities

	Company		
	At 31 December	At 31 May	
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial guarantee contracts	<u>780</u>	<u>123</u>	<u>1,352</u>

The Company provided guarantees in respect of loans granted by certain shareholders to View Top Holding Limited, a subsidiary of the Group. Pursuant to the terms of guarantees, if there are any defaults on the loans, the Company is responsible to repay the outstanding principals together with accrued interests and other costs owed by the defaulting subsidiary to the shareholders.

At 31 December 2014 and 2015 and 31 May 2016, the directors do not consider it probable that a claim will be made against the Company under any of the above guarantees. As at 31 December 2014 and 2015 and 31 May 2016, the extent of the facilities granted by the shareholders amounted to HK\$60,000,000 and the amounts utilised were HK\$60,000,000.

The fair values of the Company's financial guarantee contracts liabilities at 31 December 2014 and 2015 and 31 May 2016 were based on valuation carried out by LCH (Asia-Pacific) Surveyors Limited, an independent qualified professional valuer not connected with the Group.

35 Puttable shares

	Group and Company		
	At 31 December	At 31 May	
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year/period	—	89,100	106,559
Issue of puttable shares	86,489	—	—
Imputed interest	2,606	11,892	5,866
Exchange difference	5	5,567	1,232
	<u>89,100</u>	<u>106,559</u>	<u>113,657</u>

	Group and Company		
	At 31 December	At 31 May	
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Analysed as:			
Current liabilities	—	106,559	—
Non-current liabilities	89,100	—	113,657
	<u>89,100</u>	<u>106,559</u>	<u>113,657</u>

Note:

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

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

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

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

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

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

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

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

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

- (iv) In accordance with the share subscription agreement with Fu An and share purchase agreement with Dynasty Fortune and Grand Luck, the Company is required to issue and allot additional shares in accordance to the basis as set out in the share subscription agreement and share purchase agreement if the net profits of the Group in its audited financial statements for the year ended 31 December 2014 is less than HK\$64,000,000. The Group considered that the profit guarantee was highly probable to be met and hence no adjustment was made to the initial carrying amount of the puttable shares. The profit guarantee was subsequently met as the net profit of the Group for the year ended 31 December 2014 was greater than HK\$64,000,000.

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

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

The finance cost amounting to RMB2,606,000, RMB11,893,000, RMB4,178,000 and RMB5,866,000 was charged to profit or loss for the years/periods ended 31 December 2014 and 2015 and five months ended 31 May 2015 and 2016.

The Group's effective interest rate of the puttable shares was 14.5%, 14.5%, 14.5% and 12.2% for the year ended 31 December 2014 and 2015 and five months ended 31 May 2015 and 2016 respectively.

36 Deferred tax

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

Deferred tax liabilities

	Revaluation of investment properties RMB'000	Accelerated tax depreciation RMB'000	Others RMB'000	Total deferred tax liabilities RMB'000
At 1 January 2014	116,802	—	870	117,672
Charged to profit or loss for the period (Note 10)	14,781	2,150	498	17,429
At 31 December 2014	131,583	2,150	1,368	135,101
Charged to profit or loss for the period (Note 10)	5,445	2,843	545	8,833
At 31 December 2015	137,028	4,993	1,913	143,934
Charged/(credited) to profit or loss for the period (Note 10)	2,410	385	(375)	2,420
At 31 May 2016	139,438	5,378	1,538	146,354

Deferred tax assets

	Decelerated tax depreciation <i>RMB'000</i>	Excess of amortisation of prepaid land lease over tax allowances <i>RMB'000</i>	Tax losses <i>RMB'000</i>	Total deferred tax assets <i>RMB'000</i>
At 1 January 2014	(751)	(818)	(779)	(2,348)
Charged/(credited) to profit or loss for the year (<i>Note 10</i>)	<u>751</u>	<u>(64)</u>	<u>(1,853)</u>	<u>(1,166)</u>
At 31 December 2014	—	(882)	(2,632)	(3,514)
Credited to profit or loss for the period (<i>Note 10</i>)	<u>—</u>	<u>(145)</u>	<u>(2,679)</u>	<u>(2,824)</u>
At 31 December 2015	—	(1,027)	(5,311)	(6,338)
Credited to profit or loss for the period (<i>Note 10</i>)	<u>—</u>	<u>(69)</u>	<u>(2,663)</u>	<u>(2,732)</u>
At 31 May 2016	<u>—</u>	<u>(1,096)</u>	<u>(7,974)</u>	<u>(9,070)</u>

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB13,235,000, RMB12,286,000 and RMB12,286,000 as at 31 December 2014 and 2015 and 31 May 2016, respectively in respect of losses amounting to RMB52,940,000, RMB49,144,000 and RMB49,144,000 as at 31 December 2014 and 2015 and 31 May 2016 respectively that can be carried forward against future taxable income and losses are subject to expiry period of five years.

37 Share capital

	Number of shares (thousands)	Share capital <i>RMB'000</i>
On 10 January 2014 (Date of incorporation) (<i>Note b</i>)	—	—
Issue of shares by the Company on Group Reorganisation (<i>Note b</i>)	34,960	277
Issue of written put options (<i>Note c</i>)	<u>3,040</u>	<u>24</u>
At 31 December 2014 and 2015 and 31 May 2016	<u>38,000</u>	<u>301</u>

- (a) The Company was incorporated in the Cayman Islands on 10 January 2014 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.
- (b) On 10 January 2014, the incorporation date of the Company, 1 share was allotted and issued, nil paid. On 11 September 2014, 34,959,999 shares of HK\$0.01 each were issued in exchange for the shares of View Top Holding Limited pursuant to the Group Reorganisation.
- (c) Pursuant to a share subscription agreement dated 5 September 2014, the Company issued 3,040,000 ordinary shares (“Fu An Subscription Shares”) of HK\$0.01 each to Fu An at a consideration of HK\$35,200,000 on 17 September 2014. Such shares were accounted for as financial liabilities — puttable shares pursuant to the terms of the instruments. Details are set out in Note 35.
- (d) In accordance with the share subscription agreement with Fu An and share purchase agreement with Dynasty Fortune and Grand Luck, the Company is required to issue and allot additional shares according to the basis as set out in the share subscription agreement and share purchase agreement if the net profits of the Group in its audited financial statements for the year ended 31 December 2014 is less than HK\$64,000,000. The profit guarantee was lapsed at the date of this Financial Information as the net profit of the Group for the year ended 31 December 2014 is not less than HK\$64,000,000.

38 Reserves

(a) Group

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

(b) Company

	Foreign currency translation reserve <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Other reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
On 10 January 2014 (Date of incorporation)	—	—	—	—	—
Issue of shares on Reorganisation	—	208,587	—	—	208,587
Issue of written put options (<i>Note 35</i>)	—	—	(58,659)	—	(58,659)
Total comprehensive loss for the period	<u>(283)</u>	<u>—</u>	<u>—</u>	<u>(3,385)</u>	<u>(3,668)</u>
At 31 December 2014	<u>(283)</u>	<u>208,587</u>	<u>(58,659)</u>	<u>(3,385)</u>	<u>146,260</u>
At 1 January 2015	(283)	208,587	(58,659)	(3,385)	146,260
Total comprehensive loss for the year	<u>(3,960)</u>	<u>—</u>	<u>—</u>	<u>(11,208)</u>	<u>(15,168)</u>
At 31 December 2015	<u>(4,243)</u>	<u>208,587</u>	<u>(58,659)</u>	<u>(14,593)</u>	<u>131,092</u>
At 1 January 2016	(4,243)	208,587	(58,659)	(14,593)	131,092
Total comprehensive loss for the period	<u>(900)</u>	<u>—</u>	<u>—</u>	<u>(7,095)</u>	<u>(7,995)</u>
At 31 May 2016	<u>(5,143)</u>	<u>208,587</u>	<u>(58,659)</u>	<u>(21,688)</u>	<u>123,097</u>
At 1 January 2015	(283)	208,587	(58,659)	(3,385)	146,260
Total comprehensive (loss)/income for the period	<u>1,957</u>	<u>—</u>	<u>—</u>	<u>(5,091)</u>	<u>(3,134)</u>
At 31 May 2015 (unaudited)	<u>1,674</u>	<u>208,587</u>	<u>(58,659)</u>	<u>(8,476)</u>	<u>143,126</u>

Nature and purpose of reserves

(i) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2.4(b) to the Financial Information.

(ii) Capital reserve

The capital reserve arising from the Reorganisation 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. For details, please refer to Note 1.2.

39 Notes to the consolidated statement of cash flows**(a) Disposal of a subsidiary**

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

Net assets at the date of disposal were as follows:

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

(b) Acquisition of non-controlling interests

On 8 December 2014, the Group acquired the remaining 1% interest in a 99% subsidiary from a non-controlling shareholder at a consideration of RMB5,000. The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

	<i>RMB'000</i>
Carrying amount of non-controlling interests acquired	(13)
Consideration paid to non-controlling interests	(5)
	<hr/>
Loss on acquisition recognised in equity	(18)
	<hr/> <hr/>

(c) Major non-cash transaction

During the year ended 31 December 2014, other payables amounted to RMB85,805,000 were settled by the transfer of the creditors' rights of RMB13,446,000 and RMB72,359,000 to the Group's debtors included in other receivables and amounts due from related companies respectively, by the creditors right transfer notices issued by the Group's creditors.

(d) Note to financing activities

As at 31 December 2013, the Group had various balances included in other receivables and other payables for financing purposes. During the years ended 31 December 2014 and 2015, the Group has received/settled all these outstanding balances and the cash flow related to these transactions were classified under financing activities.

40 Capital commitments

At end of reporting period, the Group had the following capital commitments contracted but not provided for:

	Group		
	At 31 December 2014	2015	At 31 May 2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Construction in progress	2,190	3,989	1,990
Property, plant and equipment	25	25	—
Properties held for sale	—	45,448	31,661
	<hr/>	<hr/>	<hr/>
	2,215	49,462	33,651
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

41 Lease commitments

Operating lease commitments — lessee

As at the dates indicated, our Group's total future minimum lease payments under non-cancelable operating leases are as follows:

	At 31 December		At 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Within one year	7,024	3,922	4,817
In the second to fifth years inclusive	13,056	12,111	13,756
After five years	8,400	6,498	5,263
	<u>28,480</u>	<u>22,531</u>	<u>23,836</u>

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

Operating lease commitments — lessor

At the end of the reporting period, the Group's total future minimum lease receivables under non-cancelable operating leases are as follows:

	At 31 December		At 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Within one year	262	813	683
In the second to fifth years inclusive	15	114	262
After five years	—	—	33
	<u>277</u>	<u>927</u>	<u>978</u>

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

42 Material related parties transactions

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

The Group is ultimately controlled by Mr. Hon Chi Ming.

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 each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016.

(a) Name and relationship with related parties

Name of related parties	Relationship
Fu An	Shareholder of the Company
Dynasty Fortune	Shareholder of the Company
Grand Luck	Shareholder of the Company
Mr. Liang Juquan	Vice-president of Guangdong Gudou
Mr. Hon Chi Ming	Executive director
Ms. Li Wai Ling	Spouse of executive director

(b) Transactions with related parties

During the Relevant Periods, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	At 31 December		At 31 May	
	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)			
Finance costs from puttable shares:				
— Fu An	837	3,819	1,340	1,880
— Dynasty Fortune	1,254	5,725	2,050	2,816
— Grand Luck	515	2,349	788	1,170
Finance costs from shareholders' loan:				
— Fu An	760	3,666	1,478	1,580
— Dynasty Fortune	555	3,665	1,478	1,579
Property sales income from				
Mr. Liang Juquan	244	—	—	—
Salary of Ms. Li Wai Ling	140	143	55	55

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

	At 31 December		At 31 May	
	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, bonus and allowances	1,509	1,828	789	840
Retirement benefit scheme contributions	26	123	49	52
	<u>1,535</u>	<u>1,951</u>	<u>838</u>	<u>892</u>

(d) Due from related companies

	At 31 December		At 31 May
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
At beginning of the year/period	251,684	23,805	—
Transfer of creditors' right	(72,359)	—	—
Disposal of a subsidiary	—	(500)	—
Repayments during the year	<u>(155,520)</u>	<u>(23,305)</u>	—
At end of the year/period	<u>23,805</u>	<u>—</u>	<u>—</u>

43 Events after the reporting period

The Company conditionally adopted a share option scheme pursuant to a resolution passed by the board of directors on 18 November 2016, where eligible employees and directors of the Group, among others, may be granted options entitling them to subscribe for the Company's shares. No share has been granted since the adoption of the scheme.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 May 2016 and up to date of this report. No dividend or distribution has been declared or made by the Company or any of its subsidiaries in respect of any period subsequent for 31 May 2016.

Yours faithfully

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong

The information set forth in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of the Group which has been prepared in accordance with Rule 7.31 of the GEM Listing Rules for the purpose of illustrating the effect of the Placing on the net tangible assets of the Group attributable to the owners of the Company as at 31 May 2016 as if the Placing had taken place on 31 May 2016.

This unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 May 2016 or at any future dates following the Placing. It is prepared based on the consolidated net assets of the Group as at 31 May 2016 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 May 2016 <i>RMB'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Placing <i>RMB'000</i> <i>(Note 2)</i>	Cessation of the put options <i>RMB'000</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 May 2016 <i>RMB'000</i>	Unaudited pro forma adjusted net tangible assets per Share	
					<i>RMB</i> <i>(Note 4)</i>	<i>HK\$</i> <i>(Note 5)</i>
Based on a Placing Price of HK\$0.60 per Share	151,878	85,018	113,657	350,553	0.36	0.43
Based on a Placing Price of HK\$0.88 per Share	151,878	137,133	113,657	402,668	0.41	0.50

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 May 2016 is extracted from the Accountant's Report as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 31 May 2016 of approximately RMB151,878,000 with no adjustment for intangible assets as the Group does not have any intangible assets.
- (2) The estimated net proceeds from the Placing are based on the indicative Placing Price of HK\$0.60 and HK\$0.88 per Placing Share, being the lower end to higher end of the Placing Price range respectively, after the deduction of total estimated placing fees and other listing related expenses (excluding listing expenses of approximately RMB24,477,000 which has been accounted for in the Group's consolidated statement of comprehensive income up to 31 May 2016) paid or payable by the Company, and takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme and any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share Capital" in this prospectus.
- (3) The puttable shares of the Group amounting to RMB113,657,000 as at 31 May 2016 is extracted from the Accountant's Report as set out in Appendix I to this prospectus. Pursuant to the Fu An Put Option Deed, DF Put Option Deed and GL Put Option Deed, upon the listing of the Shares of the Company on the Main Board or Growth Enterprise Market of the Stock Exchange, these put options shall be ceased.
- (4) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis of 980,000,000 Shares were in issue assuming that the Placing and the Capitalisation Issue have been completed on 31 May 2016, but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares or under the Share Option Scheme as described in the section headed "Share Capital" in this prospectus.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB0.83.
- (6) No adjustment has been made to reflect any trading or other transactions of the Group entered into subsequent to 31 May 2016.

B. ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Gudou Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Gudou Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 May 2016, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 30 November 2016, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 May 2016 as if the proposed initial public offering had taken place at 31 May 2016. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended 31 May 2016, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus”, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 May 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 30 November 2016

The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this prospectus received from LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor, in connection with its valuations as at 30 September 2016 of the property interests held by the Group.



利駿行測量師有限公司

LCH (Asia-Pacific) Surveyors Limited

PROFESSIONAL SURVEYOR
PLANT AND MACHINERY VALUER
BUSINESS & FINANCIAL ASSETS VALUER

The readers are reminded that the report which follows has been prepared in accordance with the reporting guidelines set by the International Valuation Standards 2013 (“IVS”) and published by the International Valuation Standards Council which followed by the HKIS Valuation Standards 2012 Edition (the “HKIS Standards”) and published by The Hong Kong Institute of Surveyors (the “HKIS”). The standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers’ legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translations of terms in English or in Chinese are for reader’s identification purpose only and have no legal status or implication in this report. This report was prepared and signed off in English format, translation of this report in language other than English shall only be used as a reference and should not be regarded as a substitute for this report. Piecemeal reference to this report is considered to be inappropriate and no responsibility is assumed from our part for such piecemeal reference. It is emphasised that the findings and conclusion presented below are based on the documents and facts known to us at the Latest Practicable Date of this Prospectus. If additional documents and facts are made available, we reserve the right to amend this report and its conclusions.

17th Floor
Champion Building
287 — 291 Des Voeux Road Central
Hong Kong

30 November 2016

The Board of Directors
Gudou Holdings Limited
Unit 1103A, 11th Floor, COSCO Tower
Grand Millennium Plaza
183 Queen’s Road Central
33 Wing Lok Street
Hong Kong

Dear Sirs,

In accordance with the instructions given by the present management of Gudou Holdings Limited (hereinafter referred to as the “**Instructing Party**”) to us to conduct a valuation of certain *real properties* (same as the word *properties* in this report) in which Gudou Holdings Limited (hereinafter referred to as the “**Company**”) and its subsidiaries (collectively, together with the Company hereinafter referred to as the “**Group**”) have interests in the mainland of the People’s Republic of China (hereinafter referred to as the “**PRC**” or “**China**”) and, to report the

existing status of certain property interests rented by the Group in the PRC and Hong Kong, we confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary to support our findings and our conclusion of values of the properties of the Group as at 30 September 2016 (hereinafter referred to as the “**Valuation Date**”) for the Instructing Party’s internal management reference purpose.

We understand that the use of our work product (regardless of form of presentation) will form part of the Instructing Party’s due diligence but we have not been engaged to make specific sales or purchase recommendations, or to give opinion for any financing arrangement. We further understand that the use of our work product will not supplant other due diligence which the Instructing Party should conduct in reaching its business decision regarding the properties valued. Our work is designed solely to provide information that will give the Instructing Party a reference in its due diligence process, and our work should not be the only factor to be referenced by the Instructing Party. Our findings and conclusion of values of the properties are documented in a valuation report and submitted to the Instructing Party at today’s date (hereinafter referred to as the “**Report Date**”).

At the request of the Instructing Party, we prepared this summary report (including this letter, summary of values and the valuation certificate) to summarise our findings and conclusion of values as documented in the valuation report for the purpose of inclusion in this prospectus (the “**Prospectus**”) at the Report Day for the Instructing Party’s reference. Terms used herein without definition shall have the same meanings as in the valuation report, and the assumptions and caveats adopted in the valuation report also apply to this summary report.

VALUATION OF PROPERTIES

Basis of Valuation and Assumptions

According to the IVS which the HKIS Standards also follows, there are two valuation bases, namely market value basis and valuation bases other than market value. In this engagement, we have provided our values of the properties on the market value basis.

The term “Market Value” is defined by the IVS and followed by the HKIS Standards as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Unless otherwise stated, our valuations of the properties have been made on the assumptions, that, as at the Valuation Date:

1. the legally interested party in each of the properties has absolute title to its relevant property interests;
2. the legally interested party in each of the properties has free and uninterrupted rights to assign its relevant property interest for the whole of the unexpired term as granted, and any premiums payable have already been fully paid;
3. the legally interested party in each of the properties sells its relevant property interest in the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property interest;

4. each of the properties has obtained relevant government's approval for the sale of the property and is able to be disposed of and transferred it free of all encumbrances (including but not limited to the cost of transaction) in the market; and
5. each of the properties can be freely disposed and transferred free of all encumbrances at the Valuation Date for its existing use in the market to both local and overseas purchasers without payment of any premium to the government.

Should any of the above not be the case, it will have adverse impact to the values as reported.

Approach to Value

Properties in Groups I, IV and V

Unless otherwise stated, in valuing the properties, we have adopted the sales comparison approach on the assumption that each of the properties was sold with the benefit of vacant possession as at the Valuation Date. The approach considers the sales, listing or offerings of similar or substitute properties and related market data to establish a value estimate of a property that a reasonable investor would have to pay for a similar property of comparable utility.

For Property No. 1 in Group I, we have selected recent transactions of Mountain Seaview Vacation Apartments as comparables. Adjustments have been made to size and altitude factors.

For properties in Groups IV and V, transactions of comparable size and same land use category near to Gudou Hot Spring Resort (hereinafter referred to as "Gudou") were selected. The comparables are located at undeveloped area of Pingsha New Town of Zhuhai City with comparable characteristics to Gudou. Adjustments have been made to time (including transaction time), land use terms and location factors.

Properties in Group II

In valuing the properties which are under development, we have further assumed that the properties will be developed and completed in accordance with the latest construction schedule provided to us. We have valued the land element of each of the properties by using the sales comparison approach. This approach considers the sales, listings or offering of similar or substitute properties and related market data to establish a value estimate of a property that a reasonable investor would have to pay for a similar property of comparable utility. In assessing value of the land element, transaction of comparable size and land use category near to Gudou were selected. Adjustments have been made to time (including transaction time), land use terms and location factors. In considering the improvements erected on the land which were classified as construction in progress as at the Valuation Date, we have taken into account of the reported construction costs incurred as at the Valuation Date.

Properties in Group III

In valuing Property Nos. 6, 9 and 10, we have valued such properties on the basis of ongoing hotel operations in its existing state. The underlying theory of the valuation is that the value of a property can be measured by the present worth of the earnings to be received over the economic life of the property at its approved usage. Based on this valuation principle, it estimates

the net economic benefits after deducted the major costs, and to discount these benefits to its present value by using an appropriate market-derived yield suitable for the risks associated with realising those benefits. Key assumptions such as average daily room rate and occupancy rate used in the valuation were determined with reference to last 3 years historical record of each of the operations. For the annual growth rate used in the valuation, we have made reference to the industry trend, historical record and the historical Consumer Price Index in the PRC.

Unless otherwise stated, in valuing Property Nos. 7, 8, 11, 12 and 13, having considered the general and inherent characteristics of the properties, we have adopted the depreciated replacement cost approach which is an application of the cost approach in valuing specialised properties like these properties. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the properties. The values of the land use rights of these properties have been determined from market-based evidences by analysing similar sales or offerings of comparable properties. For Property Nos. 7 and 8, transactions of comparable size and nature (hot spring resort) near to Gudou were selected. Adjustments have been made to time and location factors. For Property Nos. 11 and 12, transactions (industrial or scenery facilities usages) near to Gudou were selected.

The valuation of each of these properties is on the assumption that the property is subject to the test of adequate potential profitability of the business having due regard to the values of the total assets employed and the nature of the operation.

We need to state that our opinion of value of each of the Property Nos. 7, 8, 11, 12 and 13 is not necessarily intended to represent the amount that might be realised from disposition of land use rights or various building(s) of each of the properties on piecemeal basis in the open market.

We have not carried out a study of possible alternative development options and the related economics do not come within the scope of our work.

REPORTING OF CERTAIN RENTED PROPERTY INTERESTS IN GROUP VI AND GROUP VII

Properties in Group VI and Group VII are subject to various leasehold arrangements, and we have assigned no commercial value to each of such property interests due mainly to the short-term nature of the tenancy agreements or prohibition against assignment or sub-letting or lack of substantial rents.

MATTERS THAT MIGHT AFFECT THE VALUES REPORTED

For the sake of valuation, we have adopted the areas as they appeared in the copies of the documents as provided, and no further verification work has been conducted. Should it be established subsequently that the adopted areas were not the latest approved, we reserve the right to revise our report and the valuations accordingly.

Save except Property No. 13 in Group III, no allowance has been made in our valuations for any charges, mortgages, outstanding premium, idle land penalties or amounts owing on the properties valued nor any expenses or taxation which may be incurred in affecting a sale of each of the properties in Groups I to V. Unless otherwise stated, it is assumed that the properties in Groups I to V are free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

Unless otherwise stated, in our valuations, we have assumed that the properties in Groups I to V are able to be sold and purchased in the market without any legal impediment (especially from the regulators). Should this not be the case, it will affect the reported values significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

As at the Latest Practicable Date of this Prospectus, we are unable to identify any adverse news against the properties which may affect the reported findings or values in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the properties. However, should it be established subsequently that such news did exist at the Valuation Date, we reserve the right to adjust the findings or value(s) reported herein.

ESTABLISHMENT OF TITLES

Due to the purpose of this engagement, the Instructing Party or the appointed personnel of the Company provided us the necessary documents to support that the legally interested party in each of the properties has free and uninterrupted rights to assign, to transfer, to mortgage, to let or to use the properties at its existing use (in this instance, an absolute title), for the whole of the unexpired terms as granted, free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed, and that the Group has the right to occupy or to use the properties. Our agreed procedures to value, as agreed with the Instructing Party, did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained each of the properties from the relevant authorities. We agreed with the Instructing Party that this should be the responsibility of the legal adviser to the Instructing Party. Thus, no responsibility or liability is assumed from our part to the origin and continuity of the titles to the properties.

We have been provided with copies of the title documents of the properties. However, we have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any amendments, which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal titles and the rights (if any) to the properties valued. Any responsibility for our misinterpretation of the documents cannot be accepted.

The land registration system of China forbids us to search the original documents of the properties that are filed in the relevant authorities, and to verify legal titles or to verify any material encumbrances or amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the properties in China. However, we have complied with the requirements as stated in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and relied solely on the copies of document and the copy of the PRC legal opinions provided by the Instructing Party with regard to the legal titles of the properties. We are given to understand that the PRC legal opinions were prepared by the Company’s PRC legal adviser, 廣東恆益律師事務所 GFE Law Office dated 30 November 2016. According to the legal opinions, no idle land record registered against the Group. No responsibility or liability from our part is assumed in relation to those legal opinions.

In our report, we have assumed that the legally interested party in each of the properties has obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested party to continue its titles in each of the properties. Should this not be the case, it will affect our values in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability from our part is assumed.

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTIES

The properties were inspected by Sr Elsa Ng (a Registered Professional Surveyor in Hong Kong and a Registered Real Estate Appraiser in the PRC) in the period between July 2013 to April 2016. We have inspected the exterior, and where possible, the interior of the properties in respect of which we have been provided with such information as we have requested for the purpose of our valuations. We have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of uninspected parts and our work should not be taken as making any implied representation or statement about such parts. No building survey, structural survey, investigation or examination has been made, but in the course of our inspections we did not note any serious defects in the properties valued. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to the services (if any) and we are unable to identify those services either covered, unexposed or inaccessible.

We have not carried out on-site measurements to verify the correctness of the areas of the properties, but have assumed that the areas shown on the documents and official plans handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures to value the properties did not include an independent land survey to verify the legal boundaries of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of the properties that appeared on the documents handed to us. No responsibility from our part is assumed. The Instructing Party or interested party in the properties should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous materials have been used in the construction of the properties, or have since been incorporated into the properties, and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that such investigations would not disclose the presence of any such materials to any significant extent.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have assumed that no contaminative or potentially contaminative uses have ever been carried out in the properties. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the properties or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the values now reported.

SOURCES OF INFORMATION AND ITS VERIFICATION

In the course of our work, we have been provided with copies of the documents regarding the properties, and these copies have been referenced without further verifying with the relevant bodies and/or authorities. Our agreed procedures to value did not require us to conduct any searches or inspect the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the Instructing Party or the appointed personnel of the Company.

We have relied solely on the information provided by the appointed personnel of the Company or the Instructing Party without further verification, and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, letting, occupation, site and floor areas and all other relevant matters.

The scope of our work has been determined by reference to the property list provided by the Instructing Party. All properties on the list have been included in our report. The Instructing Party has confirmed to us that the Group has no property interest other than those specified on the list supplied to us.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our agreed procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

Our valuations have been made only based on the advice and information made available to us. While a limited scope of general inquiries have been made to the local property market practitioners, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility or liability is assumed.

When we adopted the work products from other professions, external data providers and the appointed personnel of the Company or the Instructing Party in our valuations, the assumptions and caveats that adopted by them in arriving at their figures also applied in our valuations. The procedures we have taken as agreed do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

We are unable to accept any responsibility for the information that has not been supplied to us by the appointed personnel of the Company or the Instructing Party. Also, we have sought and received confirmation from the appointed personnel of the Company or the Instructing Party that no material factors have been omitted from the information supplied. Our analysis and valuations are based upon full disclosure between us and the Instructing Party or the Company of material and latent facts that may affect our works.

We have had no reason to doubt the truth and accuracy of the information provided to us by the appointed personnel of the Company or the Instructing Party. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Renminbi Yuan (“RMB”).

LIMITING CONDITIONS IN THIS SUMMARY REPORT

Our findings or conclusion of values of the properties in this summary report are valid only for the stated purpose and only for the Valuation Date, and for the sole use of the Instructing Party. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this summary report, and we accept no responsibility whatsoever to any other person.

Our valuations have been made on the assumption that no unauthorised alteration, extension or addition has been made in the properties, and that the inspection and the use of this report do not purport to be a building survey of the properties. We have assumed that the properties are free of unsuitable materials and techniques.

No responsibility is taken for changes in market conditions and local government policy, and no obligation is assumed to revise this summary report to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this summary report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this Prospectus to the Company's shareholders' reference.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Instructing Party contractual undertakings in respect of their services and shall be deemed to have paid to the Instructing Party such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding the charges paid to us for the portion of services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

It is agreed that the Instructing Party and the Company are required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, wilful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

Our reports including this summary report are prepared in line with the requirements contained in Chapter 8 of the GEM Listing Rules as well as the reporting guidelines contained in the IVS and the HKIS Standards. The valuations have been undertaken by us, acting as external valuer, for the purpose of the valuation.

We retain a copy of this report together with the data and documents provided by the Instructing Party for the purpose of this assignment, and these data and documents will, according to the Laws of Hong Kong, be kept for a period of 6 years from the date it provided to us and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Instructing Party's authorisation and prior arrangement made with us in writing. Moreover, we will add the Company's information into our client list for our future reference.

The analysis and valuations of the properties depend solely on the assumptions made in this report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported findings or conclusion of values significantly.

We hereby certify that the fee for this service is not contingent upon our conclusion of values and we have no significant interests in the properties, the Group or the values reported.

The summary of values and the valuation certificate are attached.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Elsa Ng Hung Mui *B.Sc. M.Sc. R.P.S. (GP)*
Executive Director

Sr Elsa Ng Hung Mui has been conducting valuation of real properties in Hong Kong, Macau and mainland China since 1994. She is a Fellow of The HKIS and a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuation in Connection with Takeovers and Mergers published by The HKIS.

SUMMARY OF VALUES

Group I — Property held for sale by the Group under long-term title certificates in the PRC and valued on market value basis

Property	Amount of valuation in its existing state as at 30 September 2016 <i>RMB</i>	Interest of the Group	Amount of valuation in its existing state attributable to the Group as at 30 September 2016 <i>RMB</i>
1. A total of 23 various apartment units, 6 various commercial units and 10 various nos. of car parking space in Mountain Seaview Vacation Apartments and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	19,250,000	100 per cent.	19,250,000
		Sub-total:	<u>RMB19,250,000</u>

Group II — Properties held under development by the Group and under long-term title certificates in the PRC and valued on market value basis

Property	Amount of valuation in its existing state as at 30 September 2016 <i>RMB</i>	Interest of the Group	Amount of valuation in its existing state attributable to the Group as at 30 September 2016 <i>RMB</i>
2. A developing commercial development erected on Lot No. 0928000322 and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	21,000,000	100 per cent.	21,000,000
3. A developing commercial development erected on Lot No. 0928000541 and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	38,540,000	100 per cent.	38,540,000
4. A developing commercial development erected on Lot Nos. 0928000493 and 0928000297 (portion) and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	99,680,000	100 per cent.	99,680,000
5. A commercial development erected on Lot No. 0928000327 (portion) located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	41,200,000	100 per cent.	41,200,000
		Sub-total:	RMB200,420,000

Group III — Properties held and occupied by the Group under long-term title certificates in the PRC and valued on market value basis

Property	Amount of valuation in its existing state as at 30 September 2016 <i>RMB</i>	Interest of the Group	Amount of valuation in its existing state attributable to the Group as at 30 September 2016 <i>RMB</i>
6. A hotel development known as Holiday Lakeview Hotel and erected on Lot No. 0928000329 and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	29,450,000	100 per cent.	29,450,000
7. An office building erected on Lot No. 0928000321 and located at Dongfanghong Reservoir Gudou Hydropower Plant Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	15,100,000	100 per cent.	15,100,000
8. A commercial complex known as Gudou International Conference Centre and erected on Lot No. 0928000344 and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	36,820,000	100 per cent.	36,820,000

Property	Amount of valuation in its existing state as at 30 September 2016 <i>RMB</i>	Interest of the Group	Amount of valuation in its existing state attributable to the Group as at 30 September 2016 <i>RMB</i>
9. A hotel development known as Hot Spring Guest Lodge and erected on Lot No. 0928000355 and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	14,220,000	100 per cent.	14,220,000
10. A hot spring hotel complex known as Royal Spa Hotel and erected on Lot Nos. 0928000295, 0928000315, 0928000312, 0928000300 and 0928000317 and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	82,490,000	100 per cent.	82,490,000
11. A parcel of land known as Lot No. 0928000287 with various buildings erected thereon and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	11,300,000	100 per cent.	11,300,000

Property	Amount of valuation in its existing state as at 30 September 2016 <i>RMB</i>	Interest of the Group	Amount of valuation in its existing state attributable to the Group as at 30 September 2016 <i>RMB</i>
12. Seven various parcels of land situated on Lot No. 0931000148 with supporting facilities of a cable car system erected thereon and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	260,000	100 per cent.	260,000
13. Two various parcels of land known as Lot Nos. 0928000302 and 0928000506 with a building erected thereon and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	Nil	100 per cent.	Nil
		Sub-total:	<u>RMB189,640,000</u>

Group IV — Property held for investment by the Group under long-term title certificates in the PRC and valued on market value basis

Property	Amount of valuation in its existing state as at 30 September 2016 RMB	Interest of the Group	Amount of valuation in its existing state attributable to the Group as at 30 September 2016 RMB
14. 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	218,580,000	100 per cent.	218,580,000
		Sub-total:	<u>RMB218,580,000</u>

Group V — Properties held for future development by the Group under long-term title certificates in the PRC and valued on market value basis

Property	Amount of valuation in its existing state as at 30 September 2016 <i>RMB</i>	Interest of the Group	Amount of valuation in its existing state attributable to the Group as at 30 September 2016 <i>RMB</i>
15. 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	332,070,000	100 per cent.	332,070,000
16. Four various parcels of land known as Lot Nos. 0928000327 (portion), 0928000296, 0928000294, and 0928000492 (portion) and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	59,300,000	100 per cent.	59,300,000
Sub-total:			<u>RMB391,370,000</u>

Group VI — Property occupied by the Group under an operating lease in Hong Kong

Property	Amount of valuation in its existing state attributable to the Group as at 30 September 2016 RMB
17. Unit 1103A 11th Floor High Block (COSCO Tower) of Grand Millennium Plaza Nos. 183 Queen's Road Central and No. 33 Wing Lok Street Hong Kong	Nil
	<hr/>
	Sub-total: No commercial value
	<hr/>

Group VII — Properties occupied by the Group under various operating leases in the PRC

Property	Amount of valuation in its existing state attributable to the Group as at 30 September 2016 <i>RMB</i>
18. A parcel of land located at Gudou Bridge Yuan Wang Ji Teahouse and the red line entrance of Gudou Hot Spring Resort from east to south, Songzaikeng Drainage and Gudou Chong River from west to north next to the Gudou Hot Spring Resort Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	Nil
19. A parcel of land located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	Nil

Property	Amount of valuation in its existing state attributable to the Group as at 30 September 2016 RMB
20. 38 various villas of South Asian Villas and 3 various villas of Baden Town Villas located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	Nil

	Sub-total: No commercial value

	Grand-total:* <u>RMB1,019,260,000</u>

*** RENMINBI ONE THOUSAND NINETEEN MILLION
TWO HUNDRED AND SIXTY THOUSAND YUAN ONLY**

VALUATION CERTIFICATE

Group I — Property held for sale by the Group under long-term title certificates in the PRC and valued on market value basis

			Amount of valuation in existing state attributable to the Group as at 30 September 2016
Property	Description and tenure	Particulars of occupancy	
1. A total of 23 various apartment units, 6 various commercial units and 10 various nos. of car parking space in Mountain Seaview Vacation Apartments and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	<p>The property comprises 13 various apartment units with a total gross floor area of 709.89 square meters ("sq. m.") in Block A and 10 apartment units with a total gross floor area of 582.76 sq. m. in Block B. Both Blocks A and B are of 10 storeys in height. In addition, there are 6 various commercial units in Block B having a total gross floor area of 503.21 sq. m. and 10 various nos. of car parking space on the ground floor of Block A of Mountain Seaview Vacation Apartments. Together, the property (excluding the 10 various nos. of car parking space) has a total gross floor area of approximately 1,795.86 sq. m. The property was completed at the end of 2014.</p> <p>Mountain Seaview Vacation Apartments is a small scale composite development located at the Gudou Hot Spring Resort and erected on four adjoining parcels of land which having a total site area of approximately 35,935 sq. m. (see <i>Notes 1 and 2</i>).</p> <p>The property is subject to a right to use the land for various terms with the latest term till 18 December 2042 for accommodation and beverage usages. (See <i>Note 1</i>)</p>	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was vacant as at the Valuation Date.	RMB19,250,000 (100 per cent. interest)

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to 廣東古兜旅遊集團有限公司 (translated as Guangdong Gudou Travel Group Company Limited and hereinafter referred to as "Guangdong Gudou") via the following ways:
 - (i) Pursuant to a Contract for the Grant of State-owned Land Use Rights (國有土地使用權出讓合同) dated 11 July 2002 and made between the Land Resources Bureau of Xinhui City (新會市國土資源局) and now renamed as the Xinhui Branch of Jiangmen City Land and Resources Bureau (江門市國土資源局新會分局) and Guangdong Gudou, a parcel of land having a site area of 394,796 sq. m. was granted to Guangdong Gudou for tourism ancillary and greenery usages. The contract covered portion of the land parcels in Property Nos. 1, 3, 4, 8, 10, 14 (portion), 15 (portion) and 16 (portion) in this valuation certificate.

- (ii) A parcel of land having a site area of 1,980 sq. m.

Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2016) Di 01896 Hao (新國用(2016)第01896號) dated 21 March 2016 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 1,980 sq. m. for a term till 12 July 2042 for accommodation and beverage usages.

- (iii) A parcel of land having a site area of 4,885 sq. m.

Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2016) Di 01897 Hao (新國用(2016)第01897號) dated 21 March 2016 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 4,885 sq. m. for a term till 12 July 2042 for accommodation and beverage usages.

- (iv) A parcel of land having a site area of 21,874 sq. m.

Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2016) Di 01898 Hao (新國用(2016)第01898號) dated 21 March 2016 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 21,874 sq. m. for a term till 12 July 2042 for accommodation and beverage usages.

- (v) A parcel of land having a site area of 7,196 sq.m.

Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2015) Di 06316 Hao (新國用(2015)第06316號) dated 29 December 2015 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 15,916 sq. m. for a term till 12 July 2042 for accommodation and beverage usages; and

according to the information provided by the appointed personnel of the Company, portion of the site area of approximately 7,196 sq. m. is occupied by this property, and the remaining portion with a site area of approximately 8,720 sq. m. is reported in Property No. 15 Note 1 (xv) in this valuation certificate.

2. Pursuant to a Planning Permit for Using Construction Usage Land (建設用地規劃許可證) Di Zi Di 440705201334018 Hao (地字第440705201334018號) dated 26 November 2013 and issued by the Xinhui Branch of Jiangmen City Urban and Rural Planning Bureau (江門市城鄉規劃局新會分局), Guangdong Gudou was permitted to develop a parcel of land having a site area of 44,655 sq. m. for commercial usage.
3. Pursuant to two various Construction Planning Permits (建設工程規劃許可證) Jian Zi Di 440705201434004 and 440705201434005 Hao (建字第440705201434004及440705201434005號) both dated 29 January 2014 and issued by the Xinhui Branch of Jiangmen City Urban and Rural Planning Bureau (江門市城鄉規劃局新會分局), Guangdong Gudou was permitted to develop a development known as Mountain Seaview Vacation Apartments Blocks A and B having a total gross floor area of 40,034.69 sq. m.
4. Pursuant to two various Permits to Commence Construction (建築工程施工許可證) No. 440721201404030101 and No. 440721201404030201 (編號440721201404030101及440721201404030201) both dated 3 April 2014 and issued by the Xinhui Branch of Jiangmen City Bureau of Housing and Urban and Rural Development (江門市新會區住房和城鄉建設局), Guangdong Gudou was permitted to commence construction of Mountain Seaview Vacation Apartments which, upon completion, will have a total gross floor area of 40,034.69 sq. m.
5. Pursuant to a copy of the Business Licence (營業執照) dated 16 November 2015, Guangdong Gudou is a limited liability company registered in the PRC for an operational period commencing from 25 October 2001 to 24 October 2051.

6. According to the legal opinions as prepared by the Company's PRC legal adviser, 廣東恆益律師事務所 GFE Law Office, the following opinions are noted:
- (i) Guangdong Gudou legally obtained the land use rights of the property by way of land grant, and all the considerations have been paid;
 - (ii) the construction has been completed;
 - (iii) the sale of individual unit(s) in the property as commodity unit is complied with the laws, rules and regulations in the PRC;
 - (iv) as certain units in Mountain Seaview Vacation Apartment have been sold to individual purchasers, the land in Notes (ii) and (iii) above are collectively held by Guangdong Gudou and the individual purchasers of the sold units.
 - (v) the land in Note 1(v) is subject to a mortgage in favour of the 新會農村商業銀行股份有限公司崖門支行 (translated as Xinhui Rural Commercial Bank Limited Yamen Branch);
 - (vi) Guangdong Gudou is the legally interested party in the property and has the right to transfer, lease and mortgage the property; and
 - (vii) except the mortgage mentioned in (v) above, the property is not subject to any mortgage or sealing up records.

Group II — Properties held under development by the Group under long-term title certificates in the PRC and valued on market value basis

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state attributable to the Group as at 30 September 2016
2.	A developing commercial development erected on Lot No. 0928000322 and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	<p>The property comprises a developing commercial development known as Gudou Yue Quan Wan Regimen and Recreation Centre and erected on a parcel of land having a site area of 3,943 sq. m.</p> <p>Construction works were noted at the time of inspection and the site was fenced. The development will be 5 storeys in height upon completion.</p> <p>We were given to understand that the usage of the development upon completion will be for commercial purpose, and the total planned gross floor area upon completion will be 4,706.91 sq. m. The property is expected to be completed in 2018.</p> <p>The property is located at the Gudou Hot Spring Resort.</p> <p>The property is subject to a right to use the land for a term till 6 December 2042 for accommodation and beverage purposes. (See Note 1)</p>	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was under construction. Due to the nature of construction works in progress, we were unable to conduct inspection of the interior of the building as at the Valuation Date.	RMB21,000,000 (100 per cent. interest)

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to 廣東古兜旅遊集團有限公司 (translated as Guangdong Gudou Travel Group Company Limited and hereinafter referred to as “Guangdong Gudou”) via the following ways:
 - (i) Pursuant to a document known as Xin (Qu) Di Zheng Chu (2002) 16 Hao (新(區)地政出(2002)16號) dated 6 December 2002 and issued by the Xinhui District Land Resources Bureau of Jiangmen City (江門市新會區國土資源局) and now renamed as the Xinhui Branch of Jiangmen City Land and Resources Bureau (江門市國土資源局新會分局), a parcel of land having a site area of 6,487 sq. m. was granted to 廣東省新會古兜溫泉旅遊度假有限公司 (the previous name of Guangdong Gudou) for a term of 40 years for hotel development usage. The subject land included in both Property Nos. 2 and 6 in this valuation certificate.
 - (ii) Pursuant to a Contract for the Grant of State-owned Land Use Rights (國有土地使用權出讓合同) made between the Xinhui District Land Resources Bureau of Jiangmen City (江門市新會區國土資源局) and now renamed as the Xinhui Branch of Jiangmen City Land and Resources Bureau (江門市國土資源局新會分局) and Guangdong Gudou, a parcel of land having a site area of 3,943 sq. m. was granted to Guangdong Gudou for a term of 40 years for hot spring hotel development (Phase II) usage.

- (iii) Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2011) Di 04252 Hao (新國用(2011)第04252號) dated 2 December 2011 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 3,943 sq. m. for a term till 6 December 2042 for accommodation and beverage usages.
2. Pursuant to a Planning Permit for Using Construction Usage Land (建設用地規劃許可證) Di Zi Di 440705201234012 Hao (地字第440705201234012號) dated 21 August 2012 and issued by the Xinhui Branch of Jiangmen City Urban and Rural Planning Bureau (江門市城鄉規劃局新會分局), Guangdong Gudou was permitted to develop a parcel of land having a site area of 3,943 sq. m. for commercial service usage.
3. Pursuant to a Construction Planning Permit (建設工程規劃許可證) Jian Zi Di 440705201234052 Hao (建字第440705201234052號) dated 22 August 2012 and issued by the Xinhui Branch of Jiangmen City Urban and Rural Planning Bureau (江門市城鄉規劃局新會分局), Guangdong Gudou was permitted to develop a commercial development which, upon completion, will have a total gross floor area of 4,706.91 sq. m.
4. Pursuant to a Permit to Commence Construction (建築工程施工許可證) No. 440721201301110101 (編號440721201301110101) in November 2013 and issued by the Xinhui Branch of Jiangmen City Bureau of Housing and Urban and Rural Development (江門市新會區住房和城鄉建設局), Guangdong Gudou was permitted to commence construction of Gudou Yue Quan Wan Regimen and Recreation Centre which, upon completion, will have a total gross floor area of 4,706.91 sq. m.
5. Pursuant to the Xinhui Gudou Hot Spring Resort Outline Zoning Plan issued by the Planning and Survey Design Research Institute of Jiangmen City (江門市規劃勘察設計研究院), the land use of the property is for recreation technology purpose, and is subject to the following development parameters:
- | | |
|------------------------------|------|
| Plot ratio: | ≤1.0 |
| Site Coverage: | ≤20% |
| Building height restriction: | ≤16m |
| Greenery area: | ≥35% |
- Other development parameters: shall follow the planning requirements as contained in the document.
6. Pursuant to a copy of the Business Licence (營業執照) dated 16 November 2015, Guangdong Gudou is a limited liability company registered in the PRC for an operational period commencing from 25 October 2001 to 24 October 2051.
7. According to the information provided by the appointed personnel of the Group, the cost incurred for the property was approximately RMB10,500,000, and the estimated cost to complete the development was approximately RMB12,300,000 as at the Valuation Date. It is estimated that, upon completion of the development, the capital value of the property will be in the region of RMB33,300,000.
8. According to the legal opinions as prepared by the Company's PRC legal adviser, 廣東恆益律師事務所 GFE Law Office, the following opinions are noted:
- (i) Guangdong Gudou legally obtained the land use rights of the property by way of land grant, and all the considerations have been paid;
 - (ii) Guangdong Gudou is the legally interested party in the property and has the right to transfer, lease and mortgage the property subject to the mortgage mentioned in (iv) below;
 - (iii) there is no legal impediment for the property to obtain the relevant Realty Title Certificate upon completion of the development should Guangdong Gudou obtain acceptance from the relevant authorities in planning, completion of construction, fire control and environmental aspects;
 - (iv) the land in Note 1(iii) above is subject to a mortgage in favour of the Industrial and Commercial Bank of China Limited Jiangmen Branch; and
 - (v) except the mortgage mentioned in (iv) above, the property is not subject to any sealing up record.

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in its existing state attributable to the Group as at 30 September 2016
3.	A developing commercial development erected on Lot No. 0928000541 and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	<p>The property comprises a developing commercial development known as Joyful Apartments and erected on a parcel of land having a site area of 8,654 sq. m.</p> <p>Construction works were noted at the time of inspection and the site was fenced. The development will be 8 storeys in height upon completion.</p>	<p>As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was under construction as at the Valuation Date.</p> <p>Due to the nature of construction works in progress, we were unable to conduct inspection of the interior of the building as at the Valuation Date.</p>	RMB38,540,000 (100 per cent. interest)
		<p>We were given to understand that the usage of the development upon completion will be for commercial purpose, and the total planned gross floor area upon completion will be 7,957.3 sq. m. As advised, the property was completed in November 2016.</p>		
		<p>The property is located at the Gudou Hot Spring Resort.</p>		
		<p>The property is subject to a right to use the land for a term till 12 July 2042 for accommodation and beverage purposes. (See Note 1)</p>		

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to 廣東古兜旅遊集團有限公司 (translated as Guangdong Gudou Travel Group Company Limited and hereinafter referred to as "Guangdong Gudou") via the following ways:
 - (i) Subject to Property No. 1 Note 1(i).
 - (ii) Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2012) Di 03443 Hao (新國用(2012)第03443號) dated 2 November 2012 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 8,654 sq. m. for a term till 12 July 2042 for accommodation and beverage usages.

2. Pursuant to a Planning Permit for Using Construction Usage Land (建設用地規劃許可證) Di Zi Di 440705201434010 Hao (地字第440705201434010號) dated 15 May 2015 and issued by the Xinhui Branch of Jiangmen City Urban and Rural Planning Bureau (江門市城鄉規劃局新會分局), Guangdong Gudou is permitted to develop a parcel of land having a site area of 8,654 sq. m. for commercial usage.
3. Pursuant to a Construction Planning Permit (建設工程規劃許可證) Jian Zi Di 440705201534030 Hao (建字第440705201534030號) dated 17 June 2015 and issued by the Xinhui Branch of Jiangmen City Urban and Rural Planning Bureau (江門市城鄉規劃局新會分局), Guangdong Gudou was permitted to development a commercial development known as Joyful Apartments (樂活城公寓) which, upon completion, will have a total gross floor area of 7,957.3 sq.m.
4. Pursuant to a Permit to Commence Construction (建築工程施工許可證) No. 440721201507290101 (編號440721201507290101) dated 29 July 2015 and issued by the Xinhui Branch of Jiangmen City Bureau of Housing and Urban and Rural Development (江門市新會區住房和城鄉建設局), Guangdong Gudou was permitted to commence construction of Joyful Apartment (樂活城公寓) located at the land in Note 1 (ii) above which, upon completion, will have a total gross floor area of 7,957.30 sq.m.
5. Pursuant to the Xinhui Gudou Hot Spring Resort Outline Zoning Plan issued by the Planning and Survey Design Research Institute of Jiangmen City (江門市規劃勘察設計研究院), the land use of the property is for recreation technology purpose, and is subject to the following development parameters:

Plot ratio:	≤ 2.0
Site Coverage:	≤ 25%
Building height restriction:	≤ 24m
Greenery area:	≥ 35%

 Other development parameters: shall follow the planning requirements as contained in the document.
6. Pursuant to a Report on Completion of Work dated 9 November 2016, the construction of the property was completed with satisfied quality.
7. Pursuant to a Commodity Unit Pre-Sale Permit (商品房預售許可證) No. 2015150 dated 30 November 2015 and issued by the Xinhui Branch of Jiangmen City Bureau of Housing and Urban and Rural Development (江門市新會區住房和城鄉建設局), Guangdong Gudou was permitted to pre-sale 185 various units with a total gross floor area of 7,352.45 sq.m. of Joyful Apartments (樂活城公寓).
8. As at the Latest Practicable Date, 168 units with an aggregate gross floor area of approximately 6,698.7 sq.m. in the property have been pre-sold. As advised by the Instructing Party, the sold units were not yet delivered and Guangdong Gudou still has the ownership of the sold units as at the Valuation Date and hitherto. Thus, we have considered the value of the pre-sold units in the valuation.
9. Pursuant to a copy of the Business Licence (營業執照) dated 16 November 2015, Guangdong Gudou is a limited liability company registered in the PRC for an operational period commencing from 25 October 2001 to 24 October 2051.
10. According to the information provided by the appointed personnel of the Group, the cost incurred for the property was approximately RMB15,000,000, and the estimated cost to complete the development was approximately RMB11,900,000 as at the Valuation Date. It is estimated that, upon completion of the development, the capital value of the property will be in the region of RMB50,440,000.
11. According to the legal opinions as prepared by the Company's PRC legal adviser, 廣東恆益律師事務所 GFE Law Office, the following opinions are noted:
 - (i) Guangdong Gudou legally obtained the land use rights of the property by way of land grant, and all the considerations have been paid;
 - (ii) Guangdong Gudou is the legally interested party in the property and has the right to transfer, lease and mortgage the property;
 - (iii) the property is not subject to any mortgage or sealing up record.

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in its existing state attributable to the Group as at 30 September 2016
4.	A developing commercial development erected on Lot Nos. 0928000493 and 0928000297 (portion) and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	<p>The property comprises a developing commercial development known as Mountain Seaview Vacation Residence and erected on a parcel of land having a site area of approximately 10,875 sq. m. (see Notes 1, 2 and 3).</p> <p>Construction works were noted at the time of inspection and the site was fenced. Upon completion, the development will have Towers A and B of 17 storeys and 19 storeys in height, respectively, with 2 levels of basement.</p> <p>We were given to understand that the usage of the development upon completion will be for commercial purpose, and the total planned gross floor area upon completion will be 27,677.73 sq. m. The property is expected to be completed at the end of 2017.</p> <p>The property is located at the Gudou Hot Spring Resort.</p> <p>The property is subject to a right to use the land for a term till 12 July 2042 for accommodation and beverage purposes. (See Note 1)</p>	<p>As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was under construction. Due to the nature of construction works in progress, we were unable to conduct inspection of the interior of the building as at the Valuation Date.</p>	<p>RMB99,680,000</p> <p>(100 per cent, interest)</p>

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to 廣東古兜旅遊集團有限公司 (translated as Guangdong Gudou Travel Group Company Limited and hereinafter referred to as “Guangdong Gudou”) via the following ways:
 - (i) Subject to Property No. 1 Note 1(i).
 - (ii) A parcel of land having a site area of 3,218 sq. m.

Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2012) Di 00705 Hao (新國用(2012)第00705號) dated 5 April 2012 and issued by the Jiangmen Municipal People’s Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 3,218 sq. m. for a term till 12 July 2042 for accommodation and beverage usages.
 - (iii) A parcel of land having a site area of 48,763 sq. m.

Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2011) Di 04260 Hao (新國用(2011)第04260號) dated 2 December 2011 and issued by the Jiangmen Municipal People’s Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 48,763 sq. m. for a term till 12 July 2042 for accommodation and beverage usages.
2. According to the information provided by the Company, the land in Note 1(ii) will be retained for greenery purpose of the development.
3. According to the information provided by the Instructing Party, portion of the site area mentioned in Note 1 (iii) above having a site area of approximately 7,657 sq. m. will be used for property development and the remaining portion of the land in Note 1(iii) is held for future undetermined use and to be reported in Property No. 15 Note 1(ii) in this valuation certificate.
4. Pursuant to a Planning Permit for Using Construction Usage Land (建設用地規劃許可證) Di Zi Di 440705201434011 Hao (地字第440705201434011號) dated 5 June 2014 and issued by the Xinhui Branch of Jiangmen City Urban and Rural Planning Bureau (江門市城鄉規劃局新會分局), Guangdong Gudou is permitted to develop a parcel of land having a site area of 48,763 sq. m. for commercial usage.
5. Pursuant to a Construction Planning Permit (建設工程規劃許可證) Jian Zi Di 440705201534037 Hao (建字第440705201534037號) dated 21 August 2015 and issued by the Xinhui Branch of Jiangmen City Urban and Rural Planning Bureau (江門市城鄉規劃局新會分局), Guangdong Gudou was permitted to development a commercial development known as Mountain Seaview Vacation Residence Towers A and B (山海度假公館A、B座) which, upon completion, will have a total gross floor area of 27,677.73 sq. m.
6. Pursuant to a Permit to Commence Construction (建築工程施工許可證) No. 440705201511300301 (編號440705201511300301) on 30 November 2015 and issued by the Xinhui Branch of Jiangmen City Bureau of Housing and Urban and Rural Development (江門市新會區住房和城鄉建設局), Guangdong Gudou was permitted to commence construction of Mountain Seaview Vacation Residence Towers A and B (山海度假公館A、B座) which, upon completion, will have a total gross floor area of 27,677.73 sq.m.
7. Pursuant to the Xinhui Gudou Hot Spring Resort Outline Zoning Plan issued by the Planning and Survey Design Research Institute of Jiangmen City (江門市規劃勘察設計研究院), the land use of the property is for recreation technology purpose, and is subject to the following development parameters:

Plot ratio:	≤ 2.0
Site Coverage:	≤ 30%
Building height restriction:	≤ 60m
Greenery area:	≥ 30%

 Other development parameters: shall follow the planning requirements as contained in the document

8. Pursuant to two various Commodity Unit Pre-Sale Permit (商品房預售許可證) Nos. 2016062 and 2016063 dated 7 July 2016 and issued by the Xinhui Branch of Jiangmen City Bureau of Housing and Urban and Rural Development (江門市新會區住房和城鄉建設局), Guangdong Gudou was permitted to pre-sale 354 various units with a total gross floor area of 21,771.1 sq.m. of Mountain Seaview Vacation Residence Towers A and B (山海度假公館A、B座).
9. As at the Latest Practicable Date, 118 units with an aggregate gross floor area of approximately 8,950.3 sq.m. in the property have been pre-sold. As advised by the Instructing Party, the sold units were not yet delivered and Guangdong Gudou still has the ownership of the sold units as at the Valuation Date and hitherto. Thus, we have considered the value of the pre-sold units in the valuation.
10. Pursuant to a copy of the Business Licence (營業執照) dated 16 November 2015, Guangdong Gudou is a limited liability company registered in the PRC for an operational period commencing from 25 October 2001 to 24 October 2051.
11. According to the information provided by the appointed personnel of the Group, the cost incurred for the property was approximately RMB51,000,000, and the estimated cost to complete the development was approximately RMB46,100,000 as at the Valuation Date. It is estimated that upon completion of the development, the capital value of the property will be in the region of RMB145,780,000.
12. According to the legal opinions as prepared by the Company's PRC legal adviser, 廣東恆益律師事務所 GFE Law Office, the following opinions are noted:
 - (i) Guangdong Gudou legally obtained the land use rights of the property by way of land grant, and all the considerations have been paid;
 - (ii) Guangdong Gudou is the legally interested party in the property and has the right to transfer, lease and mortgage the property;
 - (iii) the land in Note 1 (ii) above is subject to a mortgage in favour of the Industrial and Commercial Bank of China Limited Jiangmen Branch;
 - (iv) the land in Note 1 (iii) above is not subject to any mortgage; and
 - (v) except the mortgage mentioned in (iii) above, the property is not subject to any sealing up record.

Property	Description and tenure	Particulars of occupancy	Amount of valuations in its existing state attributable to the Group as at 30 September 2016
5. A developing commercial development erected on Lot No. 0928000327 (portion) located at Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	The property comprises a developing commercial development known as Heart of Spring Apartments and erected on a parcel of land having a built over area of approximately 3,858 sq. m. (see Note 1). Construction works were noted at the time of inspection and the site was fenced. Upon completion, the development will have Towers A and B of 9 storeys in height, respectively, with a level of basement.	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was under construction. Due to the nature of construction works in progress, we were unable to conduct inspection of the interior of the structure as at the Valuation Date.	RMB41,200,000 (100 per cent, interest)
	We were given to understand that the usage of the development upon completion will be for commercial purpose and the total planned gross floor area upon completion will be 21,909.88 sq. m. The property is expected to be completed at the end of 2017.		
	The property is located at the Gudou Hot Spring Resort.		
	The property is subject to a right to use the land for a term till 19 June 2043 for accommodation and beverage purposes. (See Note 1)		

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to 廣東古兜旅遊集團有限公司 (translated as Guangdong Gudou Travel Group Company Limited and hereinafter referred to as "Guangdong Gudou") via the following ways:
 - (a) Pursuant to a Contract for the Grant of State-owned Land Use Rights (國有土地使用權出讓合同) dated 19 June 2003 and made between the Xinhui District Land Resources Bureau of Jiangmen City (江門市新會區國土資源局) and now renamed as the Xinhui Branch of Jiangmen City Land and Resources Bureau (江門市國土資源局新會分局) and 廣東新會古兜溫泉旅遊度假邨有限公司 (the previous name of Guangdong Gudou), a parcel of land having a site area of 63,177 sq. m. was granted to Guangdong Gudou for a term of 40 years for scenery and leisure (swimming pool, barbecue site and children's playground) usages. The contract covered the land parcels in Property No. 5, Property No. 14 Note 1 (iii) and (vii), Property No. 15 Note 1(ix) and Property No. 16 Note 1(v) in this valuation certificate.
 - (b) Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2011) Di 04245 Hao (新國用(2011)第04245號) dated 2 December 2011 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 33,549 sq. m. for a term till 19 June 2043 for accommodation and beverage usages. According to the information provided, the property comprises portion of the subject land and the remaining part of the land parcel is included in Property No. 14 Note 1 (iii) and Property No. 16 Note 1 (v) in this valuation certificate.

2. Pursuant to a Planning Permit for Using Construction Usage Land (建設用地規劃許可證) Di Zi Di 440705201634004 Hao (地字第440705201634004號) dated 3 February 2016 and issued by the Jiangmen Urban and Rural Planning Bureau Xinhui Branch (江門市城鄉規劃局新會分局), Guangdong Gudou is permitted to develop a parcel of land having a site area of 33,549 sq. m. for commercial usage.
3. Pursuant to a Construction Planning Permit (建設工程規劃許可證) Jian Zi Di 2016-4-0126 Hao (建字第2016-4-0126號) dated 8 October 2016 and issued by the Xinhui Branch of Jiangmen City Urban and Rural Planning Bureau (江門市城鄉規劃局新會分局), Guangdong Gudou was permitted to develop a commercial development which, upon completion, will have a total gross floor area of 21,909.88 sq. m.
4. Pursuant to the Xinhui Gudou Hot Spring Resort Outline Zoning Plan issued by the Planning and Survey Design Research Institute of Jiangmen City (江門市規劃勘察設計研究院), the subject property should be used for recreation technology purpose and subject to the following development covenants:

Plot ratio:	≤ 2.0
Site Coverage:	≤ 40%
Building height restriction:	≤ 60 m
Greenery area:	≥ 20%

Other development parameters: According to the planning requirements
5. Pursuant to a copy of the Business Licence (營業執照) dated 16 November 2015, Guangdong Gudou is a limited liability company registered in the PRC for an operational period commencing from 25 October 2001 to 24 October 2051.
6. According to the information provided by the appointed personnel of the Group, the cost incurred for the property was approximately RMB400,000, and the estimated cost to complete the development was approximately RMB64,400,000 as at the Valuation Date. It is estimated that, upon completion of the development, the capital value of the property will be in the region of RMB140,100,000.
7. According to the legal opinions as prepared by the Company's PRC legal adviser, 廣東恆益律師事務所 GFE Law Office, the following opinions are noted:
 - (i) Guangdong Gudou legally obtained the land use rights of the property by way of land grant, and all the considerations have been paid;
 - (ii) Guangdong Gudou is the legally interested party in the land use rights of the property and has the right to transfer, lease and mortgage the land use rights of the property;
 - (iii) the land is subject to a mortgage in favour of the Industrial and Commercial Bank of China Limited Jiangmen Branch; and
 - (iv) except the mortgage mentioned in (iii) above, the property is not subject to any sealing up record.

Group III — Properties held and occupied by the Group under long-term title certificates in the PRC and valued on market value basis

Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state attributable to the Group as at 30 September 2016
6. A hotel development known as Holiday Lakeview Hotel and erected on Lot No. 0928000329 and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	<p>The property comprises a 6-storeyed hotel development known as Gudou Holiday Lakeview Hotel and erected on a parcel of land having a site area of 2,544 sq. m.</p> <p>The property has a total gross floor area of 8,710.85 sq. m. with 119 guest rooms. It was completed in 2004.</p> <p>The property is located at the Gudou Hot Spring Resort.</p> <p>The property is subject to a right to use the land for a term till 6 December 2042 for accommodation and beverage purposes. (See Note 1)</p>	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was operated by the Group as a resort hotel as at the Valuation Date. Portion of the property is subject to a tenancy agreement. (See Notes 5 and 6)	RMB29,450,000 (100 per cent. interest)

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to 廣東古兜旅遊集團有限公司 (translated as Guangdong Gudou Travel Group Company Limited and hereinafter referred to as “Guangdong Gudou”) via the following ways:
 - (i) Subject to Property No. 2 Note 1 (i).
 - (ii) Pursuant to a Contract for the Grant of State-owned Land Use Rights (國有土地使用權出讓合同) made between the Xinhui District Land Resources Bureau of Jiangmen City (江門市新會區國土資源局) and now renamed as the Xinhui Branch of Jiangmen City Land and Resources Bureau (江門市國土資源局新會分局) and 廣東省新會古兜溫泉旅遊度假郵有限公司 (the previous name of Guangdong Gudou), a parcel of land having a site area of 2,544 sq. m. was granted to Guangdong Gudou for a term of 40 years for hot spring hotel development (Phase I) usage.
 - (iii) Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2012) Di 00706 Hao (新國用(2012)第00706號) dated 5 April 2012 and issued by the Jiangmen Municipal People’s Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 2,544 sq. m. for a term till 6 December 2042 for accommodation and beverage usages.
2. Pursuant to a Realty Title Certificate known as Yue Fang Di Quan Zheng Jiangmen Zi Di 0200012083 Hao (粵房地權証江門字第0200012083號) dated 15 March 2012 and issued by the Xinhui Branch of Jiangmen City Bureau of Housing and Urban and Rural Development (江門市新會區住房和城鄉建設局), the legally interested party in the building erected on the land in Note 1 (iii) above is Guangdong Gudou and the building has a total gross floor area of 8,710.85 sq. m.

3. Details of the room configuration are summarised as follows:

Room Type	Size (sq. m.)	Number of Rooms (Typical Floors)
Standard Room	30-36	116
Suite	119	2
Dragon Spring Suite	616	1
Total		119

4. Details of the facilities and amenities are summarised as follows:

Food and Beverage	Floor	Style	Total Seating Area (sq. m.)	Maximum Seating Capacity
Restaurant Hujing Bar	Level 1	Chinese	105	80
Function and Banquet Facilities	Floor	Style	Total Seating Area (sq. m.)	Maximum Seating Capacity
Zijing Room	Level 1	Chinese	135	80
Other Amenities	Floor			Area (sq. m.)
Recreation Room	Level 1			344

5. According to a group internal management agreement dated 30 June 2014 and made between Guangdong Gudou and 江門市偉盛投資有限公司 (translated as Jiangmen City Weisheng Investment Company Limited and hereinafter referred to as "Weisheng Investment"), a wholly-owned subsidiary of Guangdong Gudou, Weisheng Investment is allowed to operate and use portion of retail spaces with various temporary structures located at Gudou Hot Spring Resort with nil consideration for a term of 10 years commencing from 16 November 2015 to 30 June 2024.
6. According to a tenancy agreement dated 20 December 2014 and made between Weisheng Investment and Feng Yu Qiong (馮玉琼), Shop No.A3-A6 having a lettable area of 110 sq. m. was leased to Feng Yu Qiong for a term of 1 year commencing from 1 January 2016 to 31 December 2016 at a monthly rental of RMB1,525.
7. Pursuant to a copy of the Business Licence (營業執照) dated 16 November 2015, Guangdong Gudou is a limited liability company registered in the PRC for an operational period commencing from 25 October 2001 to 24 October 2051.
8. Our key assumptions used in the valuation are summarised as follows:
- | | | | |
|-------|---|---|---------------------------------|
| (i) | <i>Average daily room rate</i> | : | 2016 — RMB300 |
| (ii) | <i>Annual growth rate</i> | : | 3% |
| (iii) | <i>Occupancy rate on available room basis</i> | : | 2016 — 55%
Stabilised at 64% |
| (iv) | <i>Yield</i> | : | 12% |
9. According to the legal opinion as prepared by the Company's PRC legal adviser, 廣東恆益律師事務所 GFE Law Office, the following opinions are noted:
- Guangdong Gudou legally obtained the land use rights of the property by way of land grant, and all the considerations have been paid;
 - Guangdong Gudou is the legally interested party in the property and has the right to transfer, lease and mortgage the property;
 - the property is subject to a mortgage in favour of the Industrial and Commercial Bank of China Limited Jiangmen Branch; and
 - except the mortgage mentioned in (iii) above, the property is not subject to any sealing up record.

5. According to the legal opinions as prepared by the Company's PRC legal adviser, 廣東恆益律師事務所 GFE Law Office, the following opinions are noted:
- (i) Guangdong Gudou legally obtained the land use rights of the property by way of land grant, and all the considerations have been paid;
 - (ii) Guangdong Gudou is the legally interested party in the property and has the right to transfer, lease and mortgage the property;
 - (iii) the property is subject to a mortgage in favour of the Industrial and Commercial Bank of China Limited Jiangmen Branch; and
 - (iv) expect the mortgage disclosed in (iii) above, the property is not subject to any sealing up record.

			Amount of valuation in its existing state attributable to the Group as at 30 September 2016
Property	Description and tenure	Particulars of occupancy	
8.	A commercial complex known as Gudou International Conference Centre and erected on Lot No. 0928000344 and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	The property comprises a 3-storeyed convention, food and beverage complex known as Gudou International Conference Centre and Gudou Dining Centre and erected on a parcel of land having a site area of 6,135 sq. m. The property has a total gross floor area of 7,374.67 sq. m. It was completed in 2005. The property is located at the Gudou Hot Spring Resort. The property is subject to a right to use the land for a term till 12 July 2042 for accommodation and beverage purposes. (See Note 1)	RMB36,820,000 (100 per cent. interest)

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to 廣東古兜旅遊集團有限公司 (translated as Guangdong Gudou Travel Group Company Limited and hereinafter referred to as "Guangdong Gudou") via the following ways:
 - (i) Subject to Property No. 1 Note 1(i).
 - (ii) Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2012) Di 00528 Hao (新國用(2012)第00528號) dated 20 March 2012 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 6,135 sq. m. for a term till 12 July 2042 for accommodation and beverage usages.
2. Pursuant to a Realty Title Certificate known as Yue Fang Di Quan Zheng Jiang Men Zi Di 0200012086 Hao (粵房地權証江門字第0200012086號) dated 15 March 2012 and issued by the Xinhui Branch of Jiangmen City Bureau of Housing and Urban and Rural Development (江門市新會區住房和城鄉建設局), the legally interested party in the building erected on the land in Note 1(ii) above is Guangdong Gudou and the building has a total gross floor area of 7,374.67 sq. m.

3. Details of the facilities and amenities are summarised as follow as:

Food and Beverage	Floor	Style	Total Seating Area (sq. m.)	Maximum Seating Capacity
Yongya Pavilion	Level 1 to Level 3	Chinese	N/A	1,475
Function and Banquet Facilities	Floor	Number of Rooms	Total Seating Area (sq. m.)	Maximum Seating Capacity
Light-heart Bridge Meeting Room	Level 2	1	131.75	32
Spiriting Stone Meeting Room	Level 2	1	100	80
Yuequan Meeting Room	Level 2	1	63.75	16
Cloud Pavillion Room	Level 2	1	200	180
Oriental Hall Room	Level 2	1	238	200
Pinghu Meeting Room	Level 2	1	235	200
Zhuyuan Meeting Room	Level 2	1	120	100
Chinese Beauty 1	Level 2	1	126	60
Chinese Beauty 2	Level 2	1	65	16
Chinese Beauty 3	Level 2	1	152	50
Chinese Beauty 4	Level 2	1	71	12
Other Amenities	Floor			Area (sq. m.)
Cheinxi Room	Level 1			805

4. Pursuant to a copy of the Business Licence (營業執照) dated 16 November 2015, Guangdong Gudou is a limited liability company registered in the PRC for an operational period commencing from 25 October 2001 to 24 October 2051.

5. According to the legal opinions as prepared by the Company's PRC legal adviser, 廣東恆益律師事務所 GFE Law Office, the following opinions are noted:

- (i) Guangdong Gudou legally obtained the land use rights of the property by way of land grant, and all the considerations have been paid;
- (ii) Guangdong Gudou is the legally interested party in the property and has the right to transfer, lease and mortgage the property;
- (iii) the property is subject to a mortgage in favour of the Industrial and Commercial Bank of China Limited Jiangmen Branch; and
- (iv) except the mortgage mentioned in (iii) above, the property is not subject to any sealing up record.

			Amount of valuation in its existing state attributable to the Group as at 30 September 2016
Property	Description and tenure	Particulars of occupancy	
9. A hotel development known as Hot Spring Guest Lodge and erected on Lot No. 0928000355 and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	<p>The property comprises a 4-storeyed hotel development known as Gudou Hot Spring Guest Lodge and erected on a parcel of land having a site area of 1,235 sq. m.</p> <p>The property has a total gross floor area of 3,054.89 sq. m. and has 50 guest rooms. It was completed in 2005.</p> <p>The property is located at the Gudou Hot Spring Resort.</p> <p>The property is subject to a right to use the land for a term till 20 September 2074 for residential purpose. (See Note 1)</p>	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was operated by the Group as a resort hotel as at the Valuation Date.	RMB14,220,000 (100 per cent. interest)

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to 廣東古兜旅遊集團有限公司 (translated as Guangdong Gudou Travel Group Company Limited and hereinafter referred to as “Guangdong Gudou”) via the following ways:
 - (i) Pursuant to a Contract for the Grant of State-owned Land Use Rights (國有土地使用權出讓合同) dated 23 September 2004 and made between the Xinhui District Land Resources Bureau of Jiangmen City (江門市新會區國土資源局) and now renamed as the Xinhui Branch of Jiangmen City Land and Resources Bureau (江門市國土資源局新會分局) and 廣東省新會古兜溫泉旅遊度假邨有限公司 (previous name of Guangdong Gudou), a parcel of land having a site area of 87,017 sq. m. was granted to Guangdong Gudou for residential usage. The contract covered portion of the land parcels in Property Nos. 9 and 13 in this valuation certificate.
 - (ii) Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2011) Di 04246 Hao (新國用(2011)第04246號) dated 2 December 2011 and issued by the Jiangmen Municipal People’s Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 1,235 sq. m. for a term till 20 September 2074 for residential usage.
2. Pursuant to a Realty Title Certificate known as Yue Fang Di Quan Zheng Jiang Men Zi Di 0200035376 Hao (粵房地權証江門字第0200035376號) dated 16 April 2013 and issued by the Xinhui Branch of Jiangmen City Bureau of Housing and Urban and Rural Development (江門市新會區住房和城鄉建設局), the legally interested party in the building erected on the land in Note 1(ii) above is Guangdong Gudou and the building has a total gross floor area of 3,054.89 sq. m.
3. Details of the room configuration are summarised as follows:

Room Type	Size (sq. m.)	Number of Rooms (Typical Floors)
Standard Room	34.2	48
Hot Spring Suite	52.6	2
Total		50

4. Details of the facilities and amenities are summarised as follows:

Food and Beverage	Floor	Style	Total Seating Area (sq. m.)	Maximum Seating Capacity
Haiquanhui Restaurant	Level 1	Southeast Asia	260	150

5. According to a group internal management agreement dated 31 December 2011 and made between Guangdong Gudou and 江門市古兜旅遊酒店管理有限公司 (translated as Jiangmen City Gudou Travel and Hotel Management Company Limited and hereinafter referred to as “Jiangmen Gudou Management”), a wholly-owned subsidiary of Guangdong Gudou, Jiangmen Gudou Management is allowed to operate and use portion of retail spaces located at Gudou Hot Spring Resort with nil consideration for a term of 10 years commencing from 1 January 2012 to 31 December 2021.
6. Pursuant to a copy of the Business Licence (營業執照) dated 16 November 2015, Guangdong Gudou is a limited liability company registered in the PRC for an operational period commencing from 25 October 2001 to 24 October 2051.
7. Our key assumptions used in the valuation are summarised as follows:
- | | | | |
|-------|---|---|---------------------------------|
| (i) | <i>Average daily room rate</i> | : | 2016 — RMB360 |
| (ii) | <i>Annual growth rate</i> | : | 3% |
| (iii) | <i>Occupancy rate on available room basis</i> | : | 2016 — 40%
Stabilised at 49% |
| (iv) | <i>Yield</i> | : | 12% |
8. According to the legal opinions as prepared by the Company’s PRC legal adviser, 廣東恆益律師事務所 GFE Law Office, the following opinions are noted:
- (i) Guangdong Gudou legally obtained the land use rights of the property by way of land grant, and all the considerations have been paid;
 - (ii) Guangdong Gudou is the legally interested party in the property and has the right to transfer, lease and mortgage the property;
 - (iii) according to two documents known as Xin Guo Tu Zi (2004) 178 Hao (新國土資(2004) 178號) and Xin Di Zheng Chu (2004) 273 Hao (新地政出(2004) 273號) dated 30 May 2004 and 23 September 2004, respectively, and issued by the Xinhui Branch of Jiangmen City Land and Resources Bureau (江門市國土資源局新會分局), the competent authority based on the Measures on Guangdong Province’s Implementing the Land Administration Law of the PRC (《廣東省實施〈中華人民共和國土地管理法〉辦法》), the land stated in Note 1 (i) was approved for residential usage and for the purpose of constructing hotel property and that the approval under the aforesaid documents will remain valid till the expiry date of the land use rights certificate in respect of the said land;
 - (iv) the risk of the document Xin Guo Tu Zi (2004) 178 Hao (新國土資(2004) 178號) mentioned in (iii) above for being challenged or invalidated by its higher authority is remote;
 - (v) as the property was approved for construction of hotel property, the existing hotel operation does not violate the law, rules and regulations in the PRC;
 - (vi) the property is subject to a mortgage in favour of Xinhui Rural Commercial Bank Limited Yamen Branch; and
 - (vii) except the mortgage disclosed in (vi) above, the property is not subject to any sealing up record.

			Amount of valuation in its existing state attributable to the Group as at 30 September 2016
Property	Description and tenure	Particulars of occupancy	
10. A hot spring hotel complex known as Royal Spa Hotel and erected on Lot Nos. 0928000295, 0928000315, 0928000312, 0928000300 and 0928000317 and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	<p>The property comprises a 3-storeyed hotel complex known as Japanese Pavilion, a 2-storeyed hot spring hotel villas complex known as Tang Palace and various hot springs facilities known as Gudou Hot Spring Valley erected on 5 parcels of adjoining land having a total site area of 42,065 sq. m.</p> <p>The property has a total gross floor area of 9,751.44 sq. m. and has 46 guest rooms. It was completed in 2003.</p> <p>The property is located at the Gudou Hot Spring Resort.</p> <p>The property is subject to a right to use the land for various terms with the latest term till 18 December 2042 for accommodation and beverage purposes. (See Note 1)</p>	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was operated by the Group as a resort hotel as at the Valuation Date.	RMB82,490,000 (100 per cent. interest)

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to 廣東古兜旅遊集團有限公司 (translated as Guangdong Gudou Travel Group Company Limited and hereinafter referred to as "Guangdong Gudou") via the following ways:
 - (i) Subject to Property No. 1 Note 1(i).
 - (ii) A parcel of land having a site area of 9,498 sq. m.

Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2012) Di 00294 Hao (新國用(2012)第00294號) dated 27 February 2012 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 9,498 sq. m. for a term till 12 July 2042 for accommodation and beverage usages.
 - (iii) A parcel of land having a site area of 9,430 sq. m.

Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2012) Di 00293 Hao (新國用(2012)第00293號) dated 27 February 2012 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 9,430 sq. m. for a term till 18 December 2042 for accommodation and beverage usages.

- (iv) A parcel of land having a site area of 7,486 sq. m.

Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2012) Di 00295 Hao (新國用(2012)第00295號) dated 27 February 2012 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 7,486 sq. m. for a term till 18 December 2042 for accommodation and beverage usages.

- (v) A parcel of land having a site area of 6,904 sq. m.

Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2012) Di 00296 Hao (新國用(2012)第00296號) dated 27 February 2012 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 6,904 sq. m. for a term till 6 December 2042 for accommodation and beverage usages.

- (vi) A parcel of land having a site area of 8,747 sq. m.

Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2012) Di 00292 Hao (新國用(2012)第00292號) dated 27 February 2012 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 8,747 sq. m. for a term till 18 December 2042 for accommodation and beverage usages.

2. Pursuant to 5 various Realty Title Certificates known as Yue Fang Di Quan Zheng Jiang Men Zi Di 0200011544 Hao, 0200011546 Hao, 0200011549 Hao, 0200011550 Hao and 0200011551 Hao (粵房地權証江門字第0200011544號, 0200011546號, 0200011549號, 0200011550號及0200011551號) all dated 8 March 2012 and issued by the Xinhui Branch of Jiangmen City Bureau of Housing and Urban and Rural Development (江門市新會區住房和城鄉建設局), the legally interested party in the buildings erected on the land in Note 1 (ii) to (vi) above is Guangdong Gudou and the buildings have a total gross floor area of 9,751.44 sq. m. The area breakdown for each of the buildings covered by such certificates are listed as follows:

	Gross Floor Area (sq. m.)
(i) Switch Room and Dormitory	516.92
(ii) Hot Spring Valley Entrance	1,000.70
(iii) Tang Palace Hot Springs	1,679.75
(iv) European Style Hot Spring Valley	2,055.47
(v) Japanese Style Hot Spring	4,498.60
Total	9,751.44

3. Details of the room configuration are summarised as follows:

Room Type	Size (sq. m.)	Number of Rooms (Typical Floors)
Standard Room	27.1-48.2	26
Suite	135.3-153.1	3
Hot Spring Suite	105.4-171.4	17
Total		46

4. Details of the facilities and amenities are summarised as follows:

Food and Beverage	Floor	Style	Total Seating Area (sq. m.)	Maximum Seating Capacity
Tuck Shop	Outdoor	N/A	120	80
Prince Room	Level 1 of Tang Palace	Chinese	86.6	18
Shuiming Bar	Level 1 of Japanese Pavilion	Japanese	109.5	120
Other Amenities	Floor			Area (sq. m.)
Foot SPA	Level 1 of Japanese Pavilion			502
SPA	Level 1 of Japanese Pavilion			N/A
Internet cafe	Level 1 of Japanese Pavilion			N/A
Book cafe	Level 1 of Japanese Pavilion			N/A
Karaoke club	Level 1 of European Style Hot Spring Valley			972
Hot springs	Outdoor			15,201

5. Pursuant to a copy of the Business Licence (營業執照) dated 16 November 2015, Guangdong Gudou is a limited liability company registered in the PRC for an operational period commencing from 25 October 2001 to 24 October 2051.

6. Our key assumptions used in the valuation are summarised as follows:

		Japanese Pavilion	Tang Palace
(i)	<i>Average daily room rate</i>	: 2016 — RMB660	2016 — RMB2,000
(ii)	<i>Annual growth rate</i>	: 3%	3%
(iii)	<i>Occupancy rate on available room basis</i>	: 2016 — 49% Stabilised at 58%	2016 — 39% Stabilised at 48%
(iv)	<i>Yield</i>	: 12%	12%

7. According to the legal opinions as prepared by the Company's PRC legal adviser, 廣東恆益律師事務所 GFE Law Office, the following opinions are noted:

- (i) Guangdong Gudou legally obtained the land use rights of the property by way of land grant, and all the considerations have been paid;
- (ii) Guangdong Gudou is the legally interested party in the property and has the right to transfer, lease and mortgage the property;
- (iii) the property is subject to a mortgage in favour of the Industrial and Commercial Bank of China Limited Jiangmen Branch; and
- (iv) except the mortgage mentioned in (iii) above, the property is not subject to any sealing up record.

			Amount of valuation in its existing state attributable to the Group as at 30 September 2016
Property	Description and tenure	Particulars of occupancy	
11. A parcel of land known as Lot No. 0928000287 with various buildings erected thereon and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	<p>The property comprises a parcel of land having a site area of 29,086 sq. m. with 9 various major buildings erected thereon.</p> <p>The major buildings having a total gross floor area of 4,436.39 sq. m. and were completed in between 1981 and 1983. (See Note 2)</p> <p>The property is located at the Gudou Hot Spring Resort.</p> <p>The property is subject to a right to use the land for a term till 4 January 2062 for industrial purpose. (See Note 1)</p>	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was occupied by the Group for office, warehouses, staff quarters and supporting purposes as at the Valuation Date.	RMB11,300,000 (100 percent. interest)

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to 廣東古兜旅遊集團有限公司 (translated as Guangdong Gudou Travel Group Company Limited and hereinafter referred to as "Guangdong Gudou") via the following ways:
 - (i) Pursuant to a Contract for the Grant of State-owned Land Use Rights (國有建設用地使用權出讓合同) No. 440705-2012-000004 dated 4 January 2012 and made between the Jiangmen City Land and Resources Bureau (江門市國土資源局) and Guangdong Gudou, a parcel of land having a site area of 29,086 sq. m. was granted to Guangdong Gudou at a consideration of RMB2,094,192 for a term of 50 years for industrial usage. The consideration has been fully paid.
 - (ii) Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2012) Di 00311 Hao (新國用(2012)第00311號) dated 2 March 2012 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 29,086 sq. m. for a term till 4 January 2062 for industrial usage.

2. Pursuant to 9 various Realty Title Certificates known as Yue Fang Di Quan Zheng Jiang Men Zi Di 0200011643 Hao, 0200011646 Hao and 0200011649 Hao (粵房地權証江門字第0200011643號, 0200011646號及0200011649號) all dated 8 March 2012 and Yue Fang Di Quan Zheng Jiang Men Zi Di 0200082514 Hao, 0200082515 Hao, 0200082516 Hao, 0200082517 Hao, 0200082518 Hao and 0200082520 Hao (粵房地權証江門字第0200082514號, 0200082515號, 0200082516號, 0200082517號, 0200082518號及0200082520號) all dated 2 June 2015 and issued by the Xinhui Branch of Jiangmen City Bureau of Housing and Urban and Rural Development (江門市新會區住房和城鄉建設局), the legally interested party in the buildings erected on the land in Note 1 (ii) above is Guangdong Gudou and the buildings have a total gross floor area of 4,436.39 sq. m. The area breakdown for each of the buildings covered by such certificates are listed as follows:

	Gross Floor Area (sq. m.)
(i) a Workshop	1,071.44
(ii) an Office, dormitory and warehouse complex	1,490.32
(iii) a Workshop	516.13
(iv) a Staff Quarters	275
(v) a Staff Quarters	231
(vi) a Staff Quarters	231
(vii) a Staff Quarters	231
(viii) a Staff Quarters	275
(ix) a Staff Quarters	115.5
Total	4,436.39

3. Pursuant to a copy of the Business Licence (營業執照) dated 16 November 2015, Guangdong Gudou is a limited liability company registered in the PRC for an operational period commencing from 25 October 2001 to 24 October 2051.
4. According to the legal opinions as prepared by the Company's PRC legal adviser, 廣東恆益律師事務所 GFE Law Office, the following opinions are noted:
- (i) Guangdong Gudou legally obtained the land use rights of the property by way of land grant, and all the considerations have been paid;
 - (ii) Guangdong Gudou is the legally interested party in the property and has the right to transfer, lease and mortgage the property;
 - (iii) the property is subject to a mortgage in favour of the 新會農村商業銀行股份有限公司崖門支行 (translated as Xinhui Rural Commercial Bank Limited Yamen Branch); and
 - (iv) except the mortgage mentioned in (iii) above, the property is not subject to any sealing up record.

			Amount of valuation in its existing state attributable to the Group as at 30 September 2016
Property	Description and tenure	Particulars of occupancy	
12. Seven various parcels of land situated on Lot No. 0931000148 with supporting facilities of a cable car system erected thereon and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	<p>The property comprises seven various parcels of land having a total site area of 1,035 sq. m.</p> <p>There is an iron and steel supporter erected on each parcel of land to support a cable car system.</p> <p>The property is located at the Gudou Hot Spring Resort.</p> <p>The property is subject to a right to use the land for a term till 22 May 2063 for scenery facilities purpose. (See Note 1)</p>	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was occupied by the Group for operating a cableway system as at the Valuation Date.	RMB260,000 (100 percent. interest)

Notes:

- Pursuant to a Contract for the Grant of State-owned Land Use Rights (國有建設用地使用權出讓合同) No. 440705-2013-000052 dated 23 April 2013 and made between the Jiangmen City Land and Resources Bureau (江門市國土資源局) and 廣東古兜旅遊集團有限公司 (translated as Guangdong Gudou Travel Group Company Limited and hereinafter referred to as “Guangdong Gudou”), a parcel of land having a site area of 1,035 sq. m. was granted to Guangdong Gudou at a consideration of RMB261,000 for a term of 50 years for scenery facilities usage. The consideration has been fully paid.
- Pursuant to 7 various State-owned Land Use Rights Certificates known as Xin Guo Yong (2013) Di 03338 Hao, 03339 Hao, 03340 Hao, 03341 Hao, 03342 Hao, 03343 Hao and 03344 Hao (新國用 (2013) 第 03338 號, 03339 號, 03340 號, 03341 號, 03342 號, 03343 號及 03344 號) all dated 26 August 2013 and issued by the Jiangmen Municipal People’s Government (江門市人民政府), Guangdong Gudou has the right to use the land which having a total site area of 1,035 sq. m. for a term till 22 May 2063 for scenery facilities usage. The breakdown for each of the land parcels are listed as follows:

	Site Area (sq. m.)
(i) Xin Guo Yong (2013) Di 03338 Hao	38.00
(ii) Xin Guo Yong (2013) Di 03339 Hao	43.00
(iii) Xin Guo Yong (2013) Di 03340 Hao	36.00
(iv) Xin Guo Yong (2013) Di 03341 Hao	804.00
(v) Xin Guo Yong (2013) Di 03342 Hao	36.00
(vi) Xin Guo Yong (2013) Di 03343 Hao	44.00
(vii) Xin Guo Yong (2013) Di 03344 Hao	34.00

1,035.00

- Pursuant to a copy of the Business Licence (營業執照) dated 16 November 2015, Guangdong Gudou is a limited liability company registered in the PRC for an operational period commencing from 25 October 2001 to 24 October 2051.

4. According to the legal opinions as prepared by the Company's PRC legal adviser, 廣東恆益律師事務所 GFE Law Office, the following opinions are noted:
- (i) Guangdong Gudou legally obtained the land use rights of the property by way of land grant, and all the considerations have been paid;
 - (ii) Guangdong Gudou is the legally interested party in the property and has the right to transfer, lease and mortgage the property; and
 - (iii) the property is not subject to any mortgage or sealing up record.

			Amount of valuation in its existing state attributable to the Group as at 30 September 2016
Property	Description and tenure	Particulars of occupancy	
13. Two various parcels of land known as Lot Nos. 0928000302 and 0928000506 with a building erected thereon and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	<p>The property comprises two adjoining parcels of land having a total site area of 17,243 sq. m. with a building erected thereon (see Note 6).</p> <p>The building is a 2-storeyed property management office having a gross floor area of 485 sq. m. and without building ownership certificate. It was completed in 2014. (See Notes 2 and 3)</p> <p>The property is located at the Gudou Hot Spring Resort.</p> <p>The property is subject to a right to use the land for a term till 20 September 2074 for residential purpose. (See Note 1)</p>	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property forms the common passageway of the South Asian Villas and Baden Town Villas. The 2-storeyed building was occupied by the Group as a property management office as at the Valuation Date.	<p>No commercial value</p> <p>(100 per cent. interest)</p> <p>(See Note 7)</p>

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to 廣東古兜旅遊集團有限公司 (translated as Guangdong Gudou Travel Group Company Limited and hereinafter referred to as "Guangdong Gudou") via the following ways:
 - (i) Subject to Property No. 9 Note 1(i).
 - (ii) A parcel of land having a site area of 140 sq. m.

Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2011) Di 04251 Hao (新國用(2011)第04251號) dated 2 December 2011 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 140 sq. m. for a term till 20 September 2074 for residential usage.
 - (iii) A parcel of land having a site area of 17,103 sq. m.

Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2012) Di 03442 Hao (新國用(2012)第03442號) dated 2 November 2012 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 30,593 sq. m. for a term till 20 September 2074 for residential usage; and

according to a copy of the land registration search record on 14 November 2016 provided, the site area of the land held by Guangdong Gudou is reduced to 17,103 sq.m. As advised, the reduction was due to carving out of the land to various individual owners who have interests in the land.
2. Pursuant to a Construction Planning Permit (建設工程規劃許可證) Jian Zi Di 440705201334044 Hao (建字第440705201334044號) dated 28 November 2013 and issued by the Xinhui Branch of Jiangmen City Urban and Rural Planning Bureau (江門市城鄉規劃局新會分局), Guangdong Gudou was permitted to develop a property management office having a gross floor area of 485 sq. m.

3. Pursuant to a Permit to Commence Construction(建築工程施工許可證)No. 440721201503240101 (編號440721201503240101) dated 24 March 2015 and issued by the Xinhui Branch of Jiangmen City Bureau of Housing and Urban and Rural Development (江門市新會區住房和城鄉建設局), Guangdong Gudou was permitted to commence construction of a property management office having a gross floor area of 485 sq. m.
4. Pursuant to a Commodity Real Estate Titleship Confirmation No.50043722 (商品房屋權屬證明書No.50043722) issued by the Xinhui Branch of Jiangmen City Bureau of Housing and Urban and Rural Development (江門市新會區住房和城鄉建設局), Guangdong Gudou has completed the relevant registration procedures of building ownership for the building erected on the land in Note 1 (iii) above and the building has a gross floor area of 485.07 sq.m.
5. Pursuant to a copy of the Business Licence(營業執照)dated 16 November 2015, Guangdong Gudou is a limited liability company registered in the PRC for an operational period commencing from 25 October 2001 to 24 October 2051.
6. According to the legal opinions as prepared by the Company's PRC legal adviser, 廣東恆益律師事務所 GFE Law Office the following opinions are noted:—
 - (i) Guangdong Gudou legally obtained the land use rights of the property by way of land grant and all the considerations have been paid;
 - (ii) various villas which built on the land in Note 1 (iii) above were sold to individual owners and their respective land use rights have not yet been sub-divided from the land, and the respective title certificate has not yet transferred to each of the individual owners. Although Guangdong Gudou is the legally interested party in the land use rights certificate, the respective land use rights belongs to the individual owners, and the relevant sub-divided land use rights certificates will be transferred to the individual owners at a later date;
 - (iii) for the building mentioned in Notes 2, 3 and 4 above,
 - should the building is used for servicing the villas, the building will be jointly owned by Guangdong Gudou and the various villa owners pursuant to the PRC laws; and
 - Guangdong Gudou has the right to occupy the building but cannot transfer or mortgage it; and
 - (iv) the property is not subject to any mortgage or sealing up record.
7. In our valuation, we have assigned no commercial value to the property due to the advice from the legal opinions. However, for information purpose, the depreciated replacement cost of the property management office was RMB1,230,000 as at the Valuation Date.

Group IV — Property held for investment by the Group under long-term title certificates in the PRC and valued on market value basis

			Amount of valuation in existing state attributable to the Group as at 30 September 2016
Property	Description and tenure	Particulars of occupancy	
14. 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	<p>The property comprises seven parcels of adjoining land having a total site area of approximately 83,788 sq. m. with various temporary structures and without building ownership certificates erected thereon. <i>(See Notes 3 and 4)</i></p> <p>The property is located at the Gudou Hot Spring Resort.</p> <p>The property is subject to a right to use the land for various terms with the latest term till 6 January 2052 for other commercial usages and for accommodation and beverage usages. <i>(See Note 1)</i></p>	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, there are various temporary structures subject to various tenancy agreements erected on portion of the property, and the remaining portion of the property was occupied by the Group as a parking lot as at the Valuation Date. <i>(See Notes 5 to 7)</i>	RMB218,580,000 (100 percent. interest)

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to 廣東古兜旅遊集團有限公司 (translated as Guangdong Gudou Travel Group Company Limited and hereinafter referred to as “Guangdong Gudou”) via the following ways:
 - (i) Subject to Property No. 1 Note 1(i) which covered Note 1(ii), (v), (vi) and (viii) below.
 - (ii) A parcel of land having a site area of 25,437 sq. m.

Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2011) Di 04244 Hao (新國用 (2011) 第04244號) dated 2 December 2011 and issued by the Jiangmen Municipal People’s Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 25,437 sq. m. for a term till 12 July 2042 for accommodation and beverage usages.
 - (iii) A parcel of land having a site area of 24,510 sq. m.
 - (a) Subject to Property No. 5 Note 1 (a).
 - (b) Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2011) Di 04245 Hao (新國用 (2011) 第04245號) dated 2 December 2011 and issued by the Jiangmen Municipal People’s Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 33,549 sq. m. for a term till 19 June 2043 for accommodation and beverage usages. As advised, the property comprises portion of the land having a site area of 24,510 sq.m. and the remaining part of the land parcel is included in Property No. 5 Note 1(b) and Property No. 16 Note 1 (v) in this valuation certificate.

- (iv) A parcel of land having a site area of 8,690 sq. m.
- (a) Pursuant to a Contract for the Grant of State-owned Land Use Rights (國有建設用地使用權出讓合同) No. 440705-2012-000009 dated 6 January 2012 and made between the Jiangmen City Land and Resources Bureau (江門市國土資源局) and Guangdong Gudou, a parcel of land having a site area of 8,690 sq. m. was granted to Guangdong Gudou at a consideration of RMB2,016,080 for a term of 40 years for other commercial usages. The consideration has been fully paid.
- (b) Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2012) Di 00690 Hao (新國用(2012)第00690號) dated 28 March 2012 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 8,690 sq. m. for a term till 6 January 2052 for other commercial usages.
- (v) A parcel of land having a site area of 16,856 sq. m.
- Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2012) Di 03444 Hao (新國用(2012)第03444號) dated 2 November 2012 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 16,856 sq. m. for a term till 12 July 2042 for accommodation and beverage usages.
- (vi) A parcel of land having a site area of 5,677 sq. m.
- Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2011) Di 04249 Hao (新國用(2011)第04249號) dated 2 December 2011 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 5,677 sq. m. for a term till 12 July 2042 for accommodation and beverage usages.
- (vii) A parcel of land having a site area of 555 sq. m.
- (a) Subject to Property No. 5 Note 1 (a).
- (b) Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2011) Di 04253 Hao (新國用(2011)第04253號) dated 2 December 2011 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 555 sq. m. for a term till 19 June 2043 for accommodation and beverage usages.
- (viii) A parcel of land having a site area of 2,063 sq. m.
- Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2011) Di 04255 Hao (新國用(2011)第04255號) dated 2 December 2011 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 2,063 sq. m. for a term till 12 July 2042 for accommodation and beverage usages.

2. Pursuant to the Xinhui Gudou Hot Spring Resort Outline Zoning Plan issued by the Planning and Survey Design Research Institute of Jiangmen City (江門市規劃勘察設計研究院), the property is mainly subject to the following development parameters:

Certificate No. Xin Guo Yong	Plot Ratio	Site Coverage	Building Height Restriction(m)	Greenery Area	Usage
(2011) Di 04244 Hao	≤1.0	≤15%	≤16	≥50%	Commercial
(2011) Di 04245 Hao	≤2.0	≤40%	≤60	≥20%	Commercial
(2012) Di 00690 Hao (2011) Di 04255 Hao (2012) Di 03444 Hao (2011) Di 04249 Hao (2011) Di 04253 Hao	≤2.0	≤40%	≤100	≥35%	Commercial

3. According to the on-site inspection in April 2016, there were various temporary structures that without building ownership certificates and having a total lettable area of approximately 369 sq. m. were erected on the land in Note 1(v) above. The structures were operated as food stalls. In our valuation, we have not taken into account of the value of these structures.
4. Pursuant to a letter dated 17 March 2014 and issued by the Xinhui Branch of Jiangmen City Urban and Rural Planning Bureau (江門市城鄉規劃局新會分局), and a letter dated 1 August 2014 and issued by the Xinhui Branch of Jiangmen City Bureau of Housing and Urban and Rural Development (江門市新會區住房和城鄉建設局), the temporary structures mentioned in Note 3 above are considered as movable temporary structures and no need to apply for the Construction Planning Permit (建設工程規劃許可証), Permit to Commence Construction (建築工程施工許可証) and registration of the project completion inspection and acceptance (竣工驗收備案).
5. According to a tenancy agreement dated 1 May 2013 and made between Guangdong Gudou and 江門市蓬江區沙仔尾建宏物業管理服務部 (translated as Jiangmen Pengjiang District Shazaiwei Jianhong Property Management Service and hereinafter referred to as "Jianhong Service") and its subsequent confirmation letter, portion of land stated in Note 1(v) above having a site area of 2,005 sq. m. was leased to Jianhong Service for a term of 5 years commencing from 1 September 2013 at an annual rental of RMB100,000. There is a break clause that either party can terminate the tenancy agreement by giving the other party one month advance written notice. In our valuation, we have assumed that the property was sold with the benefit of vacant possession or otherwise subject to the existing tenancy agreement as at the Valuation Date.
6. According to a group internal management agreement dated 30 June 2014 and made between Guangdong Gudou and 江門市偉盛投資有限公司 (translated as Jiangmen City Weisheng Investment Company Limited and hereinafter referred to as "Weisheng Investment"), a wholly-owned subsidiary of Guangdong Gudou, Weisheng Investment is allowed to operate and use portion of retail space with various temporary structures located at Gudou Hot Spring Resort with nil consideration for a term of 10 years commencing from 16 November 2015 to 30 June 2024.
7. According to the information provided, Weisheng Investment entered into various tenancy agreements with various independent third parties for various temporary structures having a total lettable area of approximately 369 sq. m. with the latest term till 14 November 2017 at a total monthly rental of RMB40,633 for commercial purpose as at the Valuation Date. In our valuation, we have assumed that the property was sold with the benefit of vacant possession or otherwise subject to the existing tenancy agreements as at the Valuation Date.
8. Pursuant to a copy of the Business Licence (營業執照) dated 16 November 2015, Guangdong Gudou is a limited liability company registered in the PRC for an operational period commencing from 25 October 2001 to 24 October 2051.
9. According to the legal opinions as prepared by the Company's PRC legal adviser, 廣東恆益律師事務所 GFE Law Office, the following opinions are noted:
 - (i) Guangdong Gudou legally obtained the land use rights of the property by way of land grant, and all the considerations have been paid;
 - (ii) Guangdong Gudou is the legally interested party in the land use rights of the property and has the right to transfer, lease and mortgage the land use rights of the property;
 - (iii) the land in Note 1(ii), (iii), (v) and (viii) above are subject to a mortgage in favour of the Industrial and Commercial Bank of China Limited Jiangmen Branch;
 - (iv) the land in Note 1 (iv) and (vi) above are subject to a mortgage in favour of the 新會農村商業銀行股份有限公司崖門支行 (translated as Xinhui Rural Commercial Bank Limited Yamen Branch);
 - (v) the land in Note 1 (vii) above is not subject to any mortgage;
 - (vi) the temporary structures which operated as food stalls mentioned in Note 3 above did not change the purpose of the land use, and such usage is in compliance with the PRC laws, rules and regulations;
 - (vii) the temporary structures mentioned in Note 3 above are movable and did not regard as real property, and hence fall outside the scope of building registration under the laws and regulations in the PRC;
 - (viii) except the mortgage mentioned in (iii) and (iv) above, the property is not subject to any sealing up record; and
 - (ix) construction of hotel or health regimen facilities, subject to obtaining all relevant approvals, including but not limited to construction and planning permits, would not violate the laws, rules and regulations in the PRC.

Group V — Properties held for future development by the Group under long-term title certificates in the PRC and valued on market value basis

			Amount of valuation in existing state attributable to the Group as at 30 September 2016
Property	Description and tenure	Particulars of occupancy	
15. 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	<p>The property comprises fourteen parcels of adjoining land having a total site area of approximately 215,890 sq. m.</p> <p>There is a single storey hot water pool having a gross floor area of 35.52 sq. m. erected thereon. It was completed in 2003. <i>(See Note 4)</i></p> <p>The property is located at the Gudou Hot Spring Resort.</p> <p>The property is subject to a right to use the land for various terms with the latest term till 19 June 2043 for accommodation and beverage purposes. <i>(See Note 1)</i></p>	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was vacant and held for future development as at the Valuation Date.	RMB332,070,000 (100 per cent. interest)

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to 廣東古兜旅遊集團有限公司 (translated as Guangdong Gudou Travel Group Company Limited and hereinafter referred to as "Guangdong Gudou") via the following ways:

- (i) Subject to Property No. 1 Note 1(i) which covered Note 1 (ii) to (viii) and (x) to (xv) below.
- (ii) A parcel of land having a site area of 48,763 sq. m.

Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2011) Di 04260 Hao (新國用(2011)第04260號) dated 2 December 2011 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 48,763.00 sq. m. for a term till 12 July 2042 for accommodation and beverage usages.

- (iii) A parcel of land having a site area of 9,986 sq. m.

Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2012) Di 01596 Hao (新國用(2012)第01596號) dated 15 June 2012 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 9,986 sq. m. for a term till 6 December 2042 for accommodation and beverage usages.

- (iv) A parcel of land having a site area of 36,955 sq. m.

Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2012) Di 00703 Hao (新國用(2012)第00703號) dated 5 April 2012 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 36,955 sq. m. for a term till 12 July 2042 for accommodation and beverage usages.

- (v) A parcel of land having a site area of 6,725 sq. m.
- Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2012) Di 01595 Hao (新國用(2012)第01595號) dated 15 June 2012 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 6,725 sq. m. for a term till 28 December 2042 for accommodation and beverage usages.
- (vi) A parcel of land having a site area of 9,843 sq. m.
- Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2012) Di 01594 Hao (新國用(2012)第01594號) dated 15 June 2012 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 9,843 sq. m. for a term till 28 December 2042 for accommodation and beverage usages.
- (vii) A parcel of land having a site area of 9,929 sq. m.
- Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2012) Di 01593 Hao (新國用(2012)第01593號) dated 15 June 2012 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 9,929 sq. m. for a term till 18 December 2042 for accommodation and beverage usages.
- (viii) A parcel of land having a site area of 30,397 sq. m.
- Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2012) Di 00971 Hao (新國用(2012)第00971號) dated 23 April 2012 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 30,397 sq. m. for a term till 12 July 2042 for accommodation and beverage usages.
- (ix) A parcel of land having a site area of 29,073 sq. m.
- (a) Subject to Property No. 5 Note 1 (a).
- (b) Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2012) Di 00527 Hao (新國用(2012)第00527號) dated 20 March 2012 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 29,073 sq. m. for a term till 19 June 2043 for accommodation and beverage usages.
- (x) A parcel of land having a site area of 594 sq. m.
- Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2012) Di 00704 Hao (新國用(2012)第00704號) dated 5 April 2012 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 594 sq. m. for a term till 12 July 2042 for accommodation and beverage usages.
- (xi) A parcel of land having a site area of 8,259 sq. m.
- Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2011) Di 04242 Hao (新國用(2011)第04242號) dated 2 December 2011 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 8,259 sq. m. for a term till 28 December 2042 for accommodation and beverage usages.
- (xii) A parcel of land having a site area of 9,015 sq. m.
- Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2011) Di 04259 Hao (新國用(2011)第04259號) dated 2 December 2011 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 9,015 sq. m. for a term till 18 December 2042 for accommodation and beverage usages.
- (xiii) A parcel of land having a site area of 9,671 sq. m.
- Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2011) Di 04241 Hao (新國用(2011)第04241號) dated 2 December 2011 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 9,671 sq. m. for a term till 12 July 2042 for accommodation and beverage usages.

- (xiv) A parcel of land having a site area of 7,348 sq. m.

Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2011) Di 04258 Hao (新國用(2011)第04258號) dated 2 December 2011 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 7,348 sq. m. for a term till 6 December 2042 for accommodation and beverage usages.

- (xv) A parcel of land having a site area of 15,916 sq. m.

Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2015) Di 06316 Hao (新國用(2015)第06316號) dated 29 December 2015 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 15,916 sq. m. for a term till 12 July 2042 for accommodation and beverage usages.

2. According to the information provided by the Instructing Party, portion of the site area in Note 1(xv) above having a site area of approximately 8,720 sq. m., portion of the site area in Note 1(ii) above having a site area of approximately 41,106 sq. m., and portion of site area in Note 1(iv) above having a site area of approximately 35,224 sq. m. will be held for future undetermined use. Portion of the remaining land having a site area of approximately 1,731 sq. m. in Note 1(iv) above is used for future property development and is reported in Property No. 16 Note 1(iv) in this valuation certificate. Further portion of the remaining land of Note 1(ii) having a site area of approximately 7,657 sq. m. is used for properties under development and is reported in Property No. 4 Note 1(iii) in this valuation certificate.
3. Pursuant to the Xinhui Gudou Hot Spring Resort Outline Zoning Plan issued by the Planning and Survey Design Research Institute of Jiangmen City (江門市規劃勘察設計研究院), the property is mainly subject to the following development parameters:

Certificate No. Xin Guo Yong	Plot Ratio	Site Coverage	Building Height Restriction(m)	Greenery Area	Usage
(2011) Di 04260 Hao	≤1.2	≤25%	≤16	≥35%	Residential
(2012) Di 01596 Hao	≤0.6	≤20%	≤15	≥35%	Technological
(2012) Di 00703 Hao					
(2012) Di 01595 Hao					
(2012) Di 01594 Hao	≤1.2	≤25%	≤16	≥35%	Residential
(2012) Di 01593 Hao					
(2012) Di 00971 Hao					
(2012) Di 00704 Hao	N/A	N/A	N/A	≥60%	Greenery
(2012) Di 00527 Hao	N/A	N/A	N/A	≥80%	Greenery
(2011) Di 04242 Hao					
(2011) Di 04259 Hao					
(2011) Di 04241 Hao	≤1.2	≤25%	≤16	≥35%	Residential
(2011) Di 04258 Hao					

4. Pursuant to a Realty Title Certificate known as Yue Fang Di Quan Zheng Jiang Men Zi Di 0200011543 Hao (粵房地權証江門字第0200011543號) dated 8 March 2012 and issued by the Bureau of Housing and Urban-Rural Development, Xinhui District, Jiangmen (江門市新會區住房和城鄉建設局), the legally interested party in the building erected on the land in Note 1 (iii) above is Guangdong Gudou and the building has a total gross floor area of 35.52 sq. m.
5. Pursuant to a copy of the Business Licence (營業執照) dated 16 November 2015, Guangdong Gudou is a limited liability company registered in the PRC for an operational period commencing from 25 October 2001 to 24 October 2051.

6. According to the legal opinions as prepared by the Company's PRC legal adviser, 廣東恆益律師事務所 GFE Law Office, the following opinions are noted:
- (i) Guangdong Gudou legally obtained the land use rights of the property by way of land grant, and all the considerations have been paid;
 - (ii) Guangdong Gudou is the legally interested party in the property and has the right to transfer, lease and mortgage the property;
 - (iii) the land in Note 1 (iv), (ix), (x), (xi), (xii), (xiii) and (xiv) above are subject to a mortgage in favour of the Industrial and Commercial Bank of China Limited Jiangmen Branch;
 - (iv) the land in Note 1 (vi), (vii), (viii) and (xv) above are subject to a mortgage in favour of 新會農村商業銀行股份有限公司崖門支行 (translated as the Xinhui Rural Commercial Bank Limited Yamen Branch);
 - (v) the land in Note 1 (iii) above is subject to a mortgage in favour of the Bank of Communication Limited Jiangmen Branch;
 - (vi) the land in Note 1 (ii) and (v) above are not subject to any mortgage;
 - (vii) the building in Note 4 above is subject to a mortgage in favour of the Bank of Communication Limited Jiangmen Branch; and
 - (viii) except the mortgage mentioned in (iii), (iv), (v) and (vii) above, the property is not subject to any sealing up record.

			Amount of valuation in existing state attributable to the Group as at 30 September 2016
Property	Description and tenure	Particulars of occupancy	
16. Four various parcels of land known as Lot Nos. 0928000327 (portion), 0928000296, 0928000294, and 0928000492 (portion) and located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	<p>The property comprises four parcels of adjoining land having a total site area of approximately 18,438 sq. m. (<i>See Note 1</i>)</p> <p>The property is located at the Gudou Hot Spring Resort.</p> <p>The property is subject to a right to use the land for various terms with the latest term till 6 December 2042 for accommodation and beverage purposes. (<i>See Note 1</i>)</p>	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was vacant and held for future development as at Valuation Date.	RMB59,300,000 (100 per cent. to the Group)

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to 廣東古兜旅遊集團有限公司 (translated as Guangdong Gudou Travel Group Company Limited and hereinafter referred to as "Guangdong Gudou") via the following ways:
 - (i) Subject to Property No. 1 Note 1(i) and Property No. 5 Note 1 (a).
 - (ii) A parcel of land having a site area of 5,113 sq. m.
 - (a) Subject to Property No. 1 Note 1 (i).
 - (b) Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2011) Di 04248 Hao (新國用(2011)第04248號) dated 2 December 2011 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 5,113 sq. m. for a term till 6 December 2042 for accommodation and beverage usages.
 - (iii) A parcel of land having a site area of 6,413 sq. m.
 - (a) Subject to Property No. 1 Note 1 (i).
 - (b) Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2011) Di 04254 Hao (新國用(2011)第04254號) dated 2 December 2011 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 6,413 sq. m. for a term till 12 July 2042 for accommodation and beverage usages.
 - (iv) A parcel of land having a site area of 1,731 sq. m.
 - (a) Subject to Property No. 1 Note 1 (i).
 - (b) Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2012) Di 00703 Hao (新國用(2012)第00703號) dated 5 April 2012 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 36,955 sq. m. for a term till 12 July 2042 for accommodation and beverage usages. According to the information provided by the Instructing Party, portion of the land having a site area of approximately 1,731 sq. m. occupied by this property will be used for future property development. Portion of the remaining land having a site area of approximately 35,224 sq. m. is held for future undetermined use and is reported in Property No. 15 Note 1(iv) in this valuation certificate.

- (v) A parcel of land having a site area of 5,181 sq.m.
- (a) Subject to Property No. 5 Note 1 (a).
- (b) Pursuant to a State-owned Land Use Rights Certificate known as Xin Guo Yong (2011) Di 04245 Hao (新國用(2011)第04245號) dated 2 December 2011 and issued by the Jiangmen Municipal People's Government (江門市人民政府), Guangdong Gudou has the right to use the land having a site area of 33,549 sq. m. for a term till 19 June 2043 for accommodation and beverage usages. As advised, the property comprises portion of the land having a site area of 5,181sq.m. and the remaining part of the land parcel is included in Property No. 5 Note 1(b) and Property No. 14 Note 1 (iii) in this valuation certificate.
2. Pursuant to the Xinhui Gudou Hot Spring Resort Outline Zoning Plan issued by the Planning and Survey Design Research Institute of Jiangmen City (江門市規劃勘察設計研究院), the property is mainly subject to the following development parameters:

Certificate No. Xin Guo Yong	Plot Ratio	Site Coverage	Building Height Restriction(m)	Greenery Area	Usage
(2011) Di 04254 Hao					
(2011) Di 04248 Hao	≤2.0	≤20%	≤60	≥35%	Commercial
(2012) Di 00703 Hao					

3. Pursuant to a copy of the Business Licence (營業執照) dated 16 November 2015, Guangdong Gudou is a limited liability company registered in the PRC for an operational period commencing from 25 October 2001 to 24 October 2051.
4. According to the legal opinions as prepared by the Company's PRC legal adviser, 廣東恆益律師事務所 GFE Law Office, the following opinions are noted:
- (i) Guangdong Gudou legally obtained the land use rights of the property by way of land grant, and all the considerations have been paid;
- (ii) Guangdong Gudou is the legally interested party in the property and has the right to transfer, lease and mortgage the property;
- (iii) the land in Note 1 (iv) and (v) above are subject to a mortgage in favour of the Industrial and Commercial Bank of China Limited Jiangmen Branch;
- (iv) the land in Note 1 (ii) above is subject to a mortgage in favour of the Bank of Communication Limited Jiangmen Branch;
- (v) the land in Note 1 (iii) above is subject to a mortgage in favour of the 新會農村商業銀行股份有限公司崖門支行 (translated as Xinhui Rural Commercial Bank Limited Yamen Branch); and
- (vi) except the mortgage mentioned in (iii), (iv) and (v) above, the property is not subject to any sealing up record.

Group VI — Property occupied by the Group under an operating lease in Hong Kong

Property	Description and occupancy	Amount of valuation in existing state attributable to the Group as at 30 September 2016
17. Unit 1103A 11th Floor High Block (COSCO Tower) of Grand Millennium Plaza No. 183 Queen's Road Central and No. 33 Wing Lok Street Hong Kong	<p>The property comprises an office unit on the Level 11 of a 53-storeyed office building which was completed in 1998.</p> <p>According to the information made available to us, the property has a gross floor area of approximately 1,547 square feet ("sq. ft.") (equivalent to approximately 143.72 sq.m.) and a saleable area of approximately of 883 sq.ft. (equivalent to approximately 82.03 sq.m.).</p> <p>The property is rented to the Group for a term of 2 years commencing from 20 December 2015 to 19 December 2017 at a monthly rental of HK\$74,256 exclusive of management fee, Government Rates and Government Rent.</p> <p>The property was occupied by the Group for office purpose as at the Valuation Date.</p>	No commercial value

Notes:

1. The lessor of the property is MBA Capital Limited, an independent third party to the Company.
2. The lessee of the property is View Top Holding Limited, a wholly-owned subsidiary of the Company.

Group VII — Properties occupied by the Group under various operating leases in the PRC

		Amount of valuation in existing state attributable to the Group as at 30 September 2016	
Property	Description and occupancy		
18.	<p>A parcel of land located at Gudou Bridge Yuan Wang Ji Teahouse (古兜橋原旺記茶樓) and the red line entrance of Gudou Hot Spring Resort (度假村新入口紅線) from east to south, Songzaikeng Drainage (松仔坑水渠) and Gudou Chong River (古兜沖河) from west to north next to the Gudou Hot Spring Resort</p> <p>Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149</p>	<p>The property comprises a parcel of land having a site area of approximately 23,333.45 sq.m.</p> <p>The property is rented to the Group for a term of 20 years commencing from 9 June 2010 to 9 June 2030 for garden and landscaping purposes. (See Note 3)</p> <p>The property is located next to the Gudou Hot Spring Resort of the Group.</p> <p>The property was occupied by the Group for garden and landscaping purposes as at the Valuation Date.</p>	<p>No commercial value</p>

Notes:

- The lessors of the property are Jiangmen City Xinhui Yamen Gudou Economic Association (江門市新會區崖門鎮古兜經濟聯合社) and Jiangmen Xinhui Yamen Gudou Villagers' Committee (江門市新會區崖門鎮古兜村民委員會), independent third parties to the Company.
- The lessee of the property is Guangdong Gudou Travel Group Company Limited (廣東古兜旅遊集團有限公司), a wholly-owned subsidiary of the Company.
- Annual rental of the property is RMB80,000 from 9 June 2010 to 8 June 2020, and to be adjusted to RMB88,000 from 9 June 2020 to 8 June 2030.
- According to the legal opinions as prepared by the Company's PRC legal adviser, 廣東恆益律師事務所 GFE Law Office, the tenancy agreement is legal and valid.

		Amount of valuation in existing state attributable to the Group as at 30 September 2016
Property	Description and occupancy	
19. A parcel of land located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149	<p>The property comprises a parcel of land having a site area of approximately 133,334 sq.m.</p> <p>The property is rented to the Group for a term of 20 years commencing from 20 November 2013 at an annual rental of RMB300,000.</p> <p>The property is located at the Gudou Hot Spring Resort of the Group.</p> <p>The property was occupied by the Group for cableway station, natural spring waterpark and beachfront cabanas purposes as at the Valuation Date.</p>	No commercial value

Notes:

1. The lessor of the property is Jiangmen City Xinhui District Gudou Hydropower Plant (江門市新會區古兜水電站), an independent third party to the Company.
2. The lessee of the property is Guangdong Gudou Travel Group Company Limited (廣東古兜旅遊集團有限公司), a wholly-owned subsidiary of the Company.
3. According to the legal opinions as prepared by the Company's PRC legal adviser, 廣東恆益律師事務所 GFE Law Office, the tenancy agreement is legal and valid.

		Amount of valuation in existing state attributable to the Group as at 30 September 2016
Property	Description and occupancy	
20.	<p>38 various villas of South Asian Villas and 3 various villas of Baden Town Villas located at Gudou Hot Spring Resort Gudou Village Yamen Town Xinhui District Jiangmen City Guangdong Province The PRC 529149</p> <p>The property comprises 41 various 2 to 3-storeyed semi-detached villas which were completed in between 2006 and 2008.</p> <p>According to the information made available to us, the property has a total gross floor area of approximately 9,669.01 sq.m. with a size ranged from 177.72 sq.m. to 281.65 sq.m. per villa.</p> <p>The property is rented to the Group under various tenancy agreements. (See Note 3)</p> <p>The property is located at the Gudou Hot Spring Resort of the Group.</p> <p>The property was occupied by the Group as part of the Group's hotel accommodation to its hotel guests as at the Valuation Date.</p>	No commercial value

Notes:

1. The lessors of the property are various independent third party property owners to the Company.
2. The lessee of the property is Guangdong Gudou Travel Group Company Limited (廣東古兜旅遊集團有限公司), a wholly-owned subsidiary of the Company.
3. The lessee of the property entered into various tenancy agreements with the property owners at different points in time and as such, each one of them will expire at different points in time. The term of the tenancy agreements is generally of five years or above. Please refer to the paragraph headed "Tourism property development business — Description of our tourism property development projects" of the section headed "Business" of the Prospectus for more details.
4. Depending on the terms of a particular tenancy agreement, property owners shall be entitled to receive either (i) rental payment calculated on a daily basis based on the actual number of days that the property was let out by the Group as hotel accommodations in every calendar month, or (ii) fixed monthly rental payment. The total rental expenses paid by the lessee under the various tenancy agreements amounted to approximately RMB8.9 million and RMB6.2 million for the two years ended 31 December 2014 and 2015, respectively.
5. According to the legal opinions as prepared by the Company's PRC legal adviser, 廣東恆益律師事務所 GFE Law Office, the various tenancy agreements are legal and valid.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 January 2014 under the Cayman Companies Law. The Company's constitutional documents consist of the Amended and Restated Memorandum of Association (**Memorandum**) and the Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 18 November 2016. A summary of certain provisions of the Articles is set out below:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(iv) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(v) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(viii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration for that office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding

that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share option scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote

at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the Company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid;
- (iii) Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:
 - (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
 - (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 10 January 2014 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares

of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the Company approving the manner and terms of such purchase. A company may not redeem or purchase its

shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of twenty years from 28 January 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. While a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of that four month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Islands Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 10 January 2014 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 4 March 2015. Pursuant to the special resolution duly passed by our Shareholders on 26 October 2015, we changed our name from Gudou International Holdings Limited (古兜國際控股有限公司) to Gudou Holdings Limited (古兜控股有限公司). We have established a place of business in Hong Kong at Unit 1103A, 11th Floor, COSCO Tower, Grand Millennium Plaza, 183 Queen's Road Central, 33 Wing Lok Street, Hong Kong. Mr. Hon and Ms. Chan Sin Ling who reside at Flat D, 8th Floor, Block 15, Costa Del Sol, Laguna Verde, Hung Hom, Kowloon, Hong Kong and Flat A, 10th Floor, Chai Kung Mansion, 2 Tai Yue Avenue, Taikoo Shing, Hong Kong, respectively, have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Islands Companies Law and its constitution comprising the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Cayman Islands Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

- (a) Our authorised share capital as at the date of our incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On 10 January 2014, one nil paid Share was allotted and issued to Reid Services Limited as the initial subscriber.
- (b) On 10 January 2014, the one nil paid Share held by Reid Services Limited was transferred to Harvest Talent.
- (c) On 11 September 2014, pursuant to a share swap agreement entered into among our Company, Harvest Talent, Gudou Wonderland and Mr. Hon, Gudou Wonderland acquired the entire issued share capital of View Top from Mr. Hon, in consideration of (i) the crediting as fully paid up the initial one nil-paid ordinary share of Gudou Wonderland registered in the name of our Company; (ii) the crediting as fully paid at par the initial one nil paid Share registered in the name of Harvest Talent; and (iii) the allotment and issue by our Company of 34,959,999 Shares, all credited as fully paid at par and carrying the same rights in all respects with the existing issued Shares, to Harvest Talent.
- (d) On 17 September 2014, pursuant to a share subscription agreement dated 5 September 2014 entered into between our Company, Mr. Hon, Harvest Talent and Fu An, our Company allotted and issued 3,040,000 Shares to Wealth Promise, being the nominee of Fu An. Upon completion of such allotment, the issued share capital of the Company was increased to HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each.
- (e) On 18 November 2016, Shareholders' resolutions were passed to approve, among other things, (i) the increase of the authorised share capital to HK\$100,000,000 divided into 10,000,000,000 Shares with a par value of HK\$0.01 each; and (ii) the Capitalisation Issue.

Immediately following completion of the Placing and the Capitalisation Issue (without taking into account any Share which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any option which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK\$9,800,000 divided into 980,000,000 Shares, all fully paid or credited as fully paid and 9,020,000,000 Shares will remain unissued.

Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “A. Further information about our Group — 3. Written resolutions of our Shareholders passed on 18 November 2016” in this appendix, the exercise of the Over-allotment Option or, the exercise of any option which may be granted under the Share Option Scheme, the Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting of our Company, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of our Shareholders passed on 18 November 2016

Pursuant to the written resolutions passed by our Shareholders on 18 November 2016:

- (a) we approved and adopted the Memorandum with immediate effect and approved and adopted the Articles conditional upon Listing;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each by the creation of an additional 9,962,000,000 Shares;
- (c) conditional on (i) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Placing, the Capitalisation Issue and the Shares to be issued as mentioned in this prospectus (including Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any option which may be granted under the Share Option Scheme); (ii) the entering into of the agreement on the Placing Price between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners on the Price Determination Date; and (iii) the obligations of the Joint Bookrunners under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Placing Agreement:
 - (i) the Placing and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Placing Shares pursuant to the Placing and such number of Shares as may be required to be allotted and issued of upon the exercise of the Over-allotment Option;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the sub-paragraph headed “D. Other information — 1. Share Option Scheme” below in this appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme; and

- (iii) conditional on the share premium account of the Company being credited as a result of the issue of Shares pursuant to the Placing, the issue and allotment of an additional 712,000,000 new Shares (“**Capitalisation Issue**”) such new Shares ranking pari passu in all respects with the then existing issued Shares, to be credited as fully paid up, by capitalising the amount of HK\$7,120,000 standing to the credit of the share premium account of our Company to holders of Shares whose names appeared on the register of members of our Company at the close of business on the day before the date of these resolutions (or as they may direct) in proportion as nearly as may be to their respective shareholding in our Company without involving fractions were approved, and our Directors or any committee of the Board were authorised to do or cause to be done all such things and to sign or amend all such documents to give effect to the Capitalisation Issue;
- (d) a general unconditional mandate (the “**Issue Mandate**”) was given to our Directors to exercise all powers for and on behalf to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than (I) pursuant to a rights issue or (II) pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or (III) pursuant to the grant of options under the Share Option Scheme or other similar arrangement or (IV) pursuant to the Placing, Capitalisation Issue or upon the exercise of the Over-allotment Option or (V) pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding 20% of the aggregate number of issued Shares of our Company immediately following completion of the Placing and Capitalisation Issue (without taking into account any Share which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any option which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;
- (e) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the aggregate number of issued Shares of our Company immediately following completion of the Placing and the Capitalisation Issue (without taking into account any Share which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any option which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and

- (f) the Issue Mandate was extended by the addition to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of issued Shares of our Company repurchased by our Company pursuant to the Repurchase Mandate, provided that such extended amount shall not exceed 10% of the total number of issued Shares of our Company immediately following completion of the Placing and the Capitalisation Issue.

4. Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. For information relating to the Reorganisation, please refer to the section headed “History, Reorganisation and Group structure” of this prospectus.

5. Changes in share capital of our subsidiaries

Our Company’s subsidiaries are referred to in the Accountant’s Report as set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountant’s Report and in the section headed “History, Reorganisation and Group structure” of this prospectus, our Company has no other subsidiaries.

Save as disclosed in the section headed “History, Reorganisation and Group structure” of this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Particulars of our subsidiaries in PRC

Set out below is a summary of the corporate information of our subsidiaries established in PRC:

(a) *Guangdong Gudou*

Date of establishment	:	25 October 2001
Place of establishment	:	the PRC
Nature	:	Wholly foreign-owned enterprise
Registered capital	:	US\$22,000,000
Shareholder(s)	:	View Top (100%)
Attributable interest of our Company	:	100%
Term of business operation	:	From 25 October 2001 to 24 October 2051
Scope of business	:	Development of tourism projects such as hot spring and waterpark, tourism, catering, fitness, beauty care, development, operation and sales of real estate, lease management of real properties, business services, ancillary malls, leasing of sports venues (excluding projects that require permits); foot massage, massage; public bathrooms (excluding projects restricted or prohibited by government, projects that involve pre-approval process require the obtaining of permits)
Legal representative	:	Mr. Hon

(b) Jiangmen Gudou Development

Date of establishment	:	7 March 2012
Place of establishment	:	the PRC
Nature	:	Limited liability company
Registered capital	:	RMB10,000,000
Shareholder(s)	:	Guangdong Gudou (100%)
Attributable interest of our Company	:	100%
Term of business operation	:	From 7 March 2012 to long term
Scope of business	:	Development and operation of tourism and hotel projects; development and operation of real estate
Legal representative	:	Mr. Hon

(c) Jiangmen Gudou Management

Date of establishment	:	20 May 2011
Place of establishment	:	the PRC
Nature	:	Limited liability company
Registered capital	:	RMB15,000,000
Shareholder(s)	:	Guangdong Gudou (100%)
Attributable interest of our Company	:	100%
Term of business operation	:	From 20 May 2011 to long term
Scope of business	:	Hotel management services, hotel management information consultancy, hotel management advisory services; development and expansion of hot spring, waterpark, sightseeing cable car related projects; leasing of sports venues, lease management of real properties; foot massage, health care massage services; retail of pre-packaged food and food in bulk, dairy products (including infant formulae) (operation with valid food circulation permit only), fireworks, firecrackers (operation with valid operation (retail) permit of fireworks and firecrackers only), cigarettes, cigars and tobacco
Legal representative	:	Mr. Hon

(d) Yueguangqu Entertainment

Date of establishment	:	24 January 2006
Place of establishment	:	the PRC
Nature	:	Limited liability company
Registered capital	:	RMB500,000
Shareholder(s)	:	Guangdong Gudou (100%)
Attributable interest of our Company	:	100%
Term of business operation	:	From 24 January 2006 to long term
Scope of business	:	Song and dance hall (karaoke), recreation hall (electronic game device) (operation with valid hygiene permit, entertainment business permit and pollutant discharge permit only)
Legal representative	:	Mr. Huang Zhanxiong

(e) Weisheng Investment

Date of establishment	:	28 October 2009
Place of establishment	:	the PRC
Nature	:	Limited liability company
Registered capital	:	RMB15,000,000
Shareholder(s)	:	Guangdong Gudou (100%)
Attributable interest of our Company	:	100%
Term of business operation	:	From 28 October 2009 to long term
Scope of business	:	Tourism investment; property investment, management and leasing of real estate; hotel management; health management (excluding medical services); business operation planning
Legal representative	:	Mr. Hon

7. Repurchases of our Shares

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarised below:

(i) Shareholders' approval

All proposed repurchases of Shares must be approved in advance by an ordinary resolution in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions of our Company passed on 18 November 2016 by all the Shareholders of our Company, a general unconditional mandate (being the Repurchase Mandate referred to above) was given to the Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on GEM) with a total amount of not more than 10% of the aggregate number of issued Shares of our Company immediately following the completion of the Placing (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of the options that may be granted under the Share Option Scheme). The Repurchase Mandate will expire at the earliest of: (i) the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of the Shareholders in a general meeting, either unconditionally or subject to conditions; (ii) the expiration of the period within which our Company is required by any applicable law or the Articles to hold the next annual general meeting of our Company; or (iii) the time when such mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting whichever shall first occur.

(ii) Source of funds

Any repurchases of Shares by our Company must be paid out of funds legally available for the purpose in accordance with our Company's Memorandum of Association and the Articles, GEM Listing Rules and the Companies Law. Our Company may not repurchase its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Any repurchase of Shares by our Company may be made out of funds legally permitted to be used in this connection, including profits of our Company, share premium account of our Company or out of proceeds of a fresh issue of Shares made for that purpose or, if so authorised by the Articles and subject to the provisions of the Companies Law, out of capital. Any premium payable on a repurchase over the par value of the Shares to be purchased must be paid out of either or both of profits of our Company or our Company's share premium account, or if so authorised by the Articles and subject to the provisions of the Companies Law, out of capital.

(iii) Shares to be repurchased

The GEM Listing Rules provide that the Shares which are proposed to be repurchased by our Company must be fully paid-up.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of our Company and Shareholders for the Directors to have general authority from the Shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit our Company and Shareholders.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association and the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands. On the basis of our Company's current financial position as disclosed in this prospectus and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on our Company's working capital and/or gearing position as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our Company's working capital requirements or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

(d) *General*

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the GEM Listing Rules) currently intends to sell any Shares to our Company or our subsidiaries if the Repurchase Mandate is exercised.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Codes. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Codes. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Codes as a consequence of any repurchases pursuant to any repurchase mandate.

Our Company has not made any repurchases of its own securities in the past six months. No core connected person (as defined in the GEM Listing Rules) has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) were entered into by us or any of our subsidiaries within the two years preceding the date of this prospectus and are or may be material:




- (a) loan agreement dated 5 September 2014 entered into among Fu An, View Top, Mr. Hon and our Company (which was supplemented by a deed of confirmation dated 2 March 2016), pursuant to which, among other things, Fu An shall make available to View Top a loan in the principal amount of HK\$30,000,000, subject to and upon the terms and conditions therein;
- (b) loan agreement dated 5 September 2014 entered into among Dynasty Fortune, View Top, Mr. Hon and our Company (which was supplemented by a deed of confirmation dated 2 March 2016), pursuant to which, among other things, Dynasty Fortune shall make available to View Top a loan in the principal amount of HK\$30,000,000, subject to and upon the terms and conditions therein;
- (c) put option deed dated 17 September 2014 entered into by our Company, Mr. Hon, Fu An and Wealth Promise (which was amended by a deed of amendment dated 15 March 2016), pursuant to which our Company granted to Wealth Promise, acting as the duly appointed nominee of Fu An, the put option to require our Company to purchase 3,040,000 Shares from Wealth Promise at the option purchase price as more particularly set out in the section headed “History, Reorganisation and Group structure — Pre-IPO Investments — (A) Subscription of Shares and provision of term loan from Fu An” of this prospectus;
- (d) put option deed dated 19 September 2014 entered into by our Company, Mr. Hon, Dynasty Fortune and DF Tourism (which was amended by a deed of amendment dated 15 March 2016), pursuant to which our Company granted to DF Tourism, acting as the duly appointed nominee of Dynasty Fortune, the put option to require our Company to purchase 4,560,000 Shares from DF Tourism at the option purchase price as more particularly set out in the section headed “History, Reorganisation and Group structure — Pre-IPO Investments — (B) Acquisition of Shares from Harvest Talent by Dynasty Fortune and provision of term loan from Dynasty Fortune” of this prospectus;
- (e) equity transfer agreement dated 8 December 2014 entered into among Ms. Fang Bixia and Guangdong Gudou pursuant to which Ms. Fang Bixia (the legal successor of the late Mr. Liao Guojian) transferred 1% equity interest in Yueguangqu Entertainment to Guangdong Gudou for a consideration of RMB5,000;
- (f) put option deed dated 12 December 2014 entered into by our Company, Mr. Hon and Grand Luck (which was amended by a deed of amendment dated 15 March 2016) pursuant to which our Company granted to Grand Luck the put option to require our Company to purchase 1,900,000 Shares from Grand Luck at the option purchase price as more particularly set out in the section headed “History, Reorganisation and Group structure — Pre-IPO Investments — (C) Acquisition of Shares from Harvest Talent by Grand Luck” of this prospectus;


- (g) deed of tax indemnity dated 12 December 2014 entered into by Mr. Hon, Grand Luck and our Company, pursuant to which Mr. Hon covenanted with Grand Luck and our Group to indemnify and keep indemnified Grand Luck and our Group against, among other things, certain losses and damages, etc. as more particularly set out in the section headed “History, Reorganisation and Group structure — Pre-IPO Investments — (C) Acquisition of Shares from Harvest Talent by Grand Luck” of this prospectus;
- (h) equity transfer agreement dated 9 January 2015 entered into among Guangdong Gudou and Jiangmen Jingteng, a company indirectly wholly-owned by Mr. Hon, pursuant to which Guangdong Gudou disposed of its 100% equity interest in Weicheng Business Services to Jiangmen Jingteng for a consideration of RMB500,000;
- (i) the deed of indemnity dated 29 November 2016 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its present subsidiaries) in respect of, amongst others, taxation, property and compliance matters referred to in the paragraph headed “D. Other information — 2. Tax and other indemnities” in this appendix;
- (j) the Non-competition Undertaking; and
- (k) the Placing Agreement.

2. Intellectual property rights of our Group


(a) Trademarks

As at the Latest Practicable Date, our Group was the registered proprietor of the following trademarks in the PRC which, in the opinion of our Directors, are material to our business:

Trademark	Registration number	Name of registered proprietor	Place of registration	Date of registration	Expiry date	Class and class specifications
	4736987	Guangdong Gudou	PRC	21 September 2009	20 September 2019	Class 35 Dissemination of advertising matter; publication of publicity texts; advertising; on-line advertising on a computer network; design of advertising matter; commercial or industrial management assistance; import-export agencies; sales promotion for others; secretarial services; accounting.
	4736988	Guangdong Gudou	PRC	21 December 2009	20 December 2019	Class 39 Transport of travelers; transportation reservations; boat transport; storage of goods; rental of diving suits.
	4994872	Guangdong Gudou	PRC	14 June 2009	13 June 2019	Class 44 Sanatoriums; physiotherapy; public baths for hygiene purposes; massage; beauty salons; steam baths; sauna; rental of farming equipment; landscape gardening; rental of sanitation facilities.

Trademark	Registration number	Name of registered proprietor	Place of registration	Date of registration	Expiry date	Class and class specifications
	7239140	Guangdong Gudou	PRC	14 May 2011	13 May 2021	Class 43 Accommodation (hotels, boarding houses providing meals); restaurants; hotels; boarding houses; bars; rental of meeting rooms; providing campground facilities; rental of tourist homes; coffee shops; boarding house bookings.

As at the Latest Practicable Date, our Group was the registered proprietor of the following trademark in Hong Kong which, in the opinion of our Directors, is material to our business:

Trademark	Registration number	Name of registered proprietor	Place of registration	Date of registration	Expiry date	Class and class specifications
	302880108	View Top	Hong Kong	27 January 2014	26 January 2024	Class 35 Advertising; business management; business administration; office functions; advertising matter (dissemination of —); publication of publicity texts; on-line advertising on a computer network; design of advertising matter; commercial or industrial management assistance; import-export agencies; sales promotion for others; secretarial services; accounting. Class 36 Insurance; financial affairs; monetary affairs; real estate affairs; capital investments; exchanging money; financing services; issue of tokens of value; real estate agencies; real estate brokers; real estate management; surety services; factoring.

Trademark	Registration number	Name of registered proprietor	Place of registration	Date of registration	Expiry date	Class and class specifications
						Class 39 Transport; packaging and storage of goods; travel arrangement; transport of travelers; transport reservation; boat transport; storage of goods; rental of diving suits; boat rental; car rental; travel agency services; tours (arranging of travel —); reservation (travel —); car parking; escorting of travelers; sightseeing tourism; arranging of tours and cruises; tour guide services; tour organising services.
						Class 41 Education; providing of training; entertainment; sporting and cultural activities; competitions (organization of —) education or entertainment; conferences (arranging and conducting of —); translation; amusement parks; parks (amusement —); night clubs; amusement arcade services (providing —); providing karaoke services; health club services exercise and fitness.
						Class 43 Services for providing food and drink; temporary accommodation; restaurant; accommodation (rental of temporary —); hotels; cafe and cafeteria services; catering (food and drink —); cafeterias; holiday camp services lodging; bar services; rental of meeting rooms; motels; houses (boarding —); campground facilities (providing —); homes (tourist —); café; boarding house bookings; hotel reservations; rental of tents; retirement homes for the elderly.

Trademark	Registration number	Name of registered proprietor	Place of registration	Date of registration	Expiry date	Class and class specifications
						Class 44 Medical services; veterinary services; hygienic and beauty care for human beings or animals; agriculture, horticulture and forestry services; physical therapy; sanatoriums; beauty salons; sauna services; massage; gardening (landscape —); rental of sanitation facilities; farming equipment rental; public baths for hygiene purposes.

(b) Domain names

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names which, in the opinion of our Directors, are material to our business:

Domain name	Name of registered proprietor	Date of registration	Expiry date
gudouhotspring.com	Jiangmen Gudou Management	13 August 2007	12 August 2021
gudouholdings.com	Our Company	26 October 2015	26 October 2017

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) *Interests and short positions of the Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations*

Immediately following completion of the Placing and the Capitalisation Issue, assuming that the Over-allotment Option is not exercised and without taking into account any Share to be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, the interests or short positions of our Directors or chief executive of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will

be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

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

Notes:

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

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as our Directors are aware, immediately following the completion of the Placing and the Capitalisation Issue, assuming that the Over-allotment Option is not exercised and taking no account of any Share which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme, the following persons (other than our Directors and chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

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

Notes:

1. The letter “L” denotes the person’s long position in the Shares.
2. Harvest Talent is beneficially and wholly owned by Mr. Hon. By virtue of the SFO, Mr. Hon is deemed to be interested in all the Shares held by Harvest Talent. Mr. Hon is also the sole director of Harvest Talent.
3. By virtue of the SFO, Mrs. Hon, the spouse of Mr. Hon, is deemed to be interested in all the Shares in which Mr. Hon is interested.
4. Mr. Hui Chin Tong Godfrey beneficially owns 100% of the issued share capital of Dynasty Fortune. By virtue of the SFO, Mr. Hui Chin Tong Godfrey is deemed to be interested in all the Shares owned by Dynasty Fortune.
5. These Shares are registered in the name of DF Tourism as the nominee of Dynasty Fortune. DF Tourism is wholly-owned by Dynasty Fortune. Mr. Hui Chin Tong Godfrey is also a director of Dynasty Fortune and DF Tourism.
6. These Shares are registered in the name of Wealth Promise as the nominee of Fu An. Wealth Promise is wholly-owned by Fu An.
7. Fu An is beneficially owned as to 74.21% by Mr. Li Chao Wang. By virtue of the SFO, Mr. Li Chao Wang is deemed to be interested in all the Shares owned by Fu An. Mr. Li Chao Wang is also deemed to be interested in all the Shares beneficially owned by Grand Luck, namely 37,500,000 Shares, by virtue of the SFO, as he beneficially owns the entire issued share capital of Grand Luck. Accordingly, Mr. Li Chao Wang is deemed to be interested in a total of 97,500,000 Shares under the SFO.
8. By virtue of the SFO, Ms. Song Min, the spouse of Mr. Li Chao Wang, is deemed to be interested in all the Shares in which Mr. Li Chao Wang is interested.

2. Particulars of Directors’ service contracts

Each of our executive Directors has entered into a service agreement with our Company for an initial term of three years commencing from the Listing Date which may be terminated by not less than three months’ notice in writing served by either party on the other.

The current basic annual salaries of our executive Directors are as follows:

Name	Annual Salary (RMB)
Hon Chi Ming	1,465,000
Huang Zhanxiong	341,000
Zhen Yaman	229,000

Each of our non-executive Directors and independent non-executive Directors has entered into a letter of appointment with our Company for an initial term of one year commencing from the Listing Date and such letter of appointment may be terminated by either party giving at least three months’ notice in writing.

The annual director's fees of our non-executive and independent non-executive Directors are as follows:

Name	Annual Director's Fee (RMB)
Hon Ka Fung	248,000
Hui Chin Tong Godfrey	149,000
Wu Sai Him	209,000
Chiu Chi Wing	179,000
Wang Dawu	149,000

Directors' fees are subject to approval by Shareholders at our Company's annual general meeting. Each executive Director may also receive a discretionary bonus in respect of each financial year of our Company commencing from the financial year of 2017. The amount of such bonus will be determined by the remuneration committee of the Board, subject to the approval by Shareholders in general meeting. All reasonable expenses properly incurred by the Directors in the process of discharging their duties on behalf of our Group will be borne by our Company.

Save as disclosed herein, none of our Directors has or is proposed to have a service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

3. Directors' remuneration

The remuneration of each Director is determined by reference to market terms, seniority, his experiences, duties and responsibilities within our Group. Our Directors are entitled to statutory benefits as required by law from time to time.

The aggregate amount of remuneration paid and benefits in kind granted by our Group to the Directors during the Track Record Period were approximately RMB317,000, RMB599,000 and RMB244,000 respectively.

Save as disclosed in the paragraph above, no other emoluments have been paid or are payable during the Track Record Period by our Company and our subsidiaries to the Directors. Further information in respect of our Directors' remuneration is set out in note 12 to the Accountant's Report set out in Appendix I to this prospectus.

Under the arrangement currently in force, the aggregate remuneration (including salaries, contributions to pension scheme, housing allowances and other allowances and benefits in kind) of our Directors (excluding discretionary bonus) for the year ended 31 December 2016 is estimated to be approximately RMB782,000.

4. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any Share or loan capital of any member of our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Save as disclosed in the Accountant's Report set out in Appendix I to this prospectus, our Group has not entered into any related party transaction within the two years immediately preceding the date of this prospectus.

6. Disclaimers

Save as disclosed herein:

- (a) none of our Directors or chief executive of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed;
- (b) none of our Directors or experts referred to under the section headed "D. Other information — 9. Consents of experts" in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) taking no account of Shares which may be taken up under the Placing, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Placing and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting Shares of our Company or any other member of our Group;
- (e) none of the experts referred to under the section headed "D. Other information — 9. Consents of experts" in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION**1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme approved by written resolutions of our then Shareholders passed on 18 November 2016:

(1) The Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to reward Participants who have contributed or will contribute to the Group and to encourage 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.

For the purpose of the Share Option Scheme, “**Participants**” means any person who satisfied the eligibility criteria in paragraph (2) below.

(2) Who May Join

The Board may, at any time during the period for which the Share Option Scheme is valid and effective, make an offer for options to:—

- (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 and service providers of any member of the Group,

whom the Board considers, in its sole discretion, have contributed or will contribute to the Group.

(3) Grant of Option

An offer of the grant of an option shall be made to the Participants by letter in such form as the Board may from time to time determine, requiring the Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme. The offer shall remain open for acceptance by the Participant concerned for a period of five business days from the date on which it is made provided that the offer shall no longer be open for acceptance after expiry of the Option Period (as defined below), after the Share Option Scheme has been terminated or after the Participant concerned has ceased to be a Participant. An option shall be deemed to have been accepted and to have taken effect when the duplicate letter comprising acceptance of the option duly signed by the option-holder together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant of the option shall have been received by our Company on or before the last day for acceptance as set out in the offer letter. The remittance is not in any circumstances refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Participant.

(4) *Payment on Acceptance of Option Offer*

HK\$1.00 is payable by the Participant to our Company on acceptance of the option offer as consideration for the grant.

(5) *Subscription Price*

The subscription price (“**Subscription Price**”) shall, subject to any adjustment pursuant to paragraph (14) below, be a price determined by the Board but in any event shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets on the date on which the option is offered to a Participant (“**Offer Date**”); (ii) the average of the closing prices of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Shares.

(6) *Maximum Number of Shares*

(i) *Scheme mandate*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as at the date upon which the Share Option Scheme takes effect, which shall be deemed to fall on the date on which the Shares first commence trading on GEM (“**Scheme Mandate**”), which is expected to be 98,000,000 Shares. For the purpose of calculating the Scheme Mandate, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted.

(ii) *Refreshment of the Scheme Mandate*

Our Company may seek approval by the Shareholders in general meeting for refreshing the Scheme Mandate provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company under the Scheme Mandate as refreshed must not exceed 10% of the total number of Shares in issue as at the date of Shareholders’ approval. For the foregoing purpose, options previously granted under the Share Option Scheme and any other share option schemes of our Company, whether outstanding, cancelled or lapsed in accordance with its applicable rules or already exercised, will not be counted.

(iii) *Grant of options beyond Scheme Mandate*

Our Company may seek separate approval by the Shareholders in general meeting for granting options beyond the Scheme Mandate provided the options in excess of the Scheme Mandate are granted only to Participants who are specifically identified before such approval is sought. A circular is required to be sent by our Company to the Shareholders in accordance with the GEM Listing Rules in connection with such grant.

(iv) *Maximum number of Shares issued pursuant to Options*

Notwithstanding any provisions to the contrary, the limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed such number of Shares as shall represent 30% of the total number of Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

(7) *Maximum Holding by Option-holder*

Unless approved by the Shareholders in general meeting in the manner prescribed in the GEM Listing Rules, the Board shall not grant options to any option-holder if it would result in the total number of Shares issued and to be issued to that Participant on exercise of his options (including both exercised and outstanding options) granted and to be granted to such person during any 12-month period exceeding 1% of the total Shares then in issue.

(8) *Timing for Exercise of Options*

The period during which an option may be exercised in accordance with the terms of the Share Option Scheme (“**Option Period**”) shall be a period of time to be notified by the Board to each option-holder, which the Board may in its absolute discretion determine, save that such period shall not be more than ten years from the Offer Date.

(9) *Rights Personal to Option-holder*

An option is personal to the option-holder and shall not be transferable or assignable. No option-holder shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or enter into any agreement to do so.

(10) *Rights on Termination of Employment by Dismissal*

- (i) If the option-holder ceases to be a Participant by reason of the termination of his employment or directorship on the grounds of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or has become insolvent or has made any arrangements or compromise with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other grounds on which an employer would be entitled to terminate his employment summarily, his option will lapse automatically (to the extent not already exercised) and not be exercisable on or after the date of termination of his employment.
- (ii) If the option-holder who is an employee or a director of the Company or another member of the Group ceases to be a Participant for any reason other than his death or termination of his employment or directorship on one or more of the grounds specified in paragraph (i) above, the option (to the extent not already exercised) shall lapse on the date of cessation or termination of his employment (which date shall be the option-holder’s last actual working day

with the Company or the relevant subsidiary whenever salary is paid in lieu of notice or not) and shall on that day cease to be exercisable unless that option holder continues to serve the Group in some other capacity, in which case the Board is authorised to determine the Option Period and, if appropriate, determine that the option shall not lapse on the date of cessation or termination of employment but on another date as the Board may determine.

(11) Rights on Death

If the option-holder ceases to be a Participant by reason of his death before exercising his option in full and (where the option-holder is an employee of the Group) none of the events which would be a ground for termination of his employment as described in paragraph (10)(i) above have arisen, his legal personal representative(s) may generally exercise the option up to the option-holder's entitlement as at the date of death (to the extent not already exercised) within a period of 12 months following the date of his death.

(12) Rights on ceasing to be a Participant

If the option-holder who is not an employee or a director of the Company or another member of the Group ceases to be a Participant as and when determined by the Board by resolution for any reason other than his death, the Board may by written notice to such option-holder within one month from the date of such cessation determine the period within which the option (or such remaining part thereof) shall be exercisable following the date of such cessation.

(13) Rights on a Compromise or Arrangement

If a compromise or arrangement (other than a scheme of arrangement) between the Company and its members or creditors is proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice to all the option-holders on the same date as it gives notice of the meeting to its members or creditors to consider such a compromise or arrangement, and the option-holder (or his legal personal representative) may at any time thereafter but before such time as shall be notified by the Company exercise the option either to its full extent or to the extent notified by the Company and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the option-holder such number of Shares which fall to be issued on such exercise.

(14) Effect of Alterations to Share Capital

If an alteration in the capital structure of the Company, while any option remains exercisable, by way of capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of Shares, or reduction of the share capital of the Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party), such corresponding adjustments (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the option so far as unexercised; and/or

- (ii) the Subscription Price; and/or
 - (iii) the number of Shares subject to the Share Option Scheme,
- or any combination thereof, provided that:
- (a) any such adjustments give an option-holder the same proportion of the equity capital of the Company as that to which that option-holder was previously entitled; and
 - (b) notwithstanding paragraph (a) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalisation issue, should be based on a scrip factor similar to the one used in accounting standards in adjusting the earnings per share figures (referred to in Hong Kong Accounting Standards 33) and the acceptable adjustments set out in the supplementary guidance on Rule 23.03(13) of the GEM Listing Rules issued by the Stock Exchange on 5 September 2005 and any future guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time;

but no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value. In respect of any such adjustments, an independent financial advisor or the auditor of the Company must certify in writing that the adjustments satisfy the requirements in paragraphs (a) and (b) above.

(15) *Rights on Winding-up*

If a notice is given by the Company to the Shareholders to convene a Shareholders' meeting to consider and, if thought fit, approve a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all option-holders and any option-holder (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the option either to its full extent or to the extent notified by the Company, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the option-holder such number of Shares to the option-holder which fall to be issued on such exercise.

(16) *Rights on a General Offer by way of Takeover*

If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement) being made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, the Company shall forthwith notify all the option-holders and any option-holder (or his legal personal representative) shall be entitled to exercise the option in full (to the extent not already exercised) or to the extent as notified by the Company at any time within such period as shall be notified by the Company.

(17) *Rights on a General Offer by way of Scheme of Arrangement*

If a general offer by way of scheme of arrangement being made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, the Company shall forthwith notify all the option-holders and any option-holder (or his

legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the option either to its full extent or to the extent notified by the Company.

(18) *Lapse of Option*

An Option shall lapse automatically and shall not be exercisable, to the extent not already exercised, on the earliest of:

- (i) the expiry of the Option Period (subject to the provisions of the Share Option Scheme);
- (ii) the expiry of the periods referred to in paragraphs (10) to (13) and (15) to (17) above respectively;
- (iii) the expiry of the period referred to in paragraph (16) above, subject to any court of competent jurisdiction making an order to prohibit the offeror from acquiring the remaining Shares under the option offer;
- (iv) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (17) above;
- (v) the date of commencement of the winding-up of the Company;
- (vi) the date on which the option-holder ceases to be a Participant as referred to in paragraphs (10)(i) and (ii) above;
- (vii) the date on which the option-holder commits a breach by selling, transferring, charging, mortgaging, encumbering or creating any interest in favour of any other person over or in relation to any option or enter into any agreement to do so; and
- (viii) subject to paragraph (10)(ii), the date the option-holder ceases to be a Participant for any other reason.

(19) *Ranking of Shares*

The Shares to be allotted upon exercise of an option will be subject to all the provisions of our Company's Articles for the time being in force and will carry the same rights in all respects with the fully paid Shares in issue on the date of allotment. Accordingly, the Shares will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment provided that the record date for the dividend or distribution is a date after the date of allotment.

(20) *Performance Targets*

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(21) Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten years commencing from the date on which the Share Option Scheme takes effect in accordance with its terms, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of such period shall continue to be valid and exercisable after the end of such period in accordance with the terms of the Share Option Scheme.

(22) Alterations of the Share Option Scheme

- (i) The specific provisions of the Share Option Scheme which relate to the matters set out in Rule 23.03 of the GEM Listing Rules cannot be altered to the advantage of Participants and changes to the authority of the Board in relation to any alteration of the terms of the Share Option Scheme shall not be made, in either case, without the prior approval of Shareholders in general meeting (with all option-holders, prospective option-holders and their associates who are Shareholders abstaining from voting).
- (ii) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of options granted, must be approved by the Shareholders in general meeting (with all option-holders, prospective option-holders and their associates who are Shareholders abstaining from voting), except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered must comply with Chapter 23 and other relevant requirements of the GEM Listing Rules.

(23) Options to Related Persons

- (i) Any grant of options to a Director, chief executive or substantial Shareholder of our Company or any of their respective associates (“Related Person”) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who or whose associate is also a proposed grantee of such options).
- (ii) Any grant of options to a substantial Shareholder or an independent nonexecutive Director of our Company or any of their respective associates must be approved by the Shareholders in general meeting if the Shares issued and to be issued upon the exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) in the 12-month period up to and including the proposed Offer Date: (a) would represent in aggregate more than 0.1% of the Shares then in issue; and (b) would have an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000 (or such other amount as shall be permissible under the GEM Listing Rules from time to time).

- (iii) At the general meeting to approve the proposed grant of options pursuant to this paragraph (23), the grantee, his associates and all core connected persons of our Company must abstain from voting unless they intend to vote against the proposed grant. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the relevant provisions of the GEM Listing Rules. Our Company will send a circular to our Shareholders containing the information required under the GEM Listing Rules.

(24) *Restrictions on Grant of Options*

No grant of options shall be made after inside information (as defined under the SFO) has come to our Company's knowledge until such inside information has been announced pursuant to the requirements of the GEM Listing Rules. Without prejudice to the foregoing, no option shall be granted during the period of 30 days immediately before the earlier of the date of the Board meeting (as such date is first notified to the Exchange) for approving our Company's results for any yearly, half-yearly or quarter yearly period or any other interim period (whether or not required under the GEM Listing Rules); and the deadline for our Company to announce our results for any year, half year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement.

(25) *Cancellation of Options*

- (i) The Board may effect the cancellation of any options granted but not exercised on such terms as may be agreed with the relevant option-holder, as the Board may in its absolute discretion see fit and in a manner that complies with all applicable legal requirements for such cancellation, except that where the option-holder is in breach of paragraph (10) above, the Board may cancel any outstanding option without the relevant optionholder's agreement.
- (ii) Where the Company cancels options and issues new ones to the same option-holder, the issue of such new options may only be made under the Share Option Scheme with available unissued Shares under the Scheme Mandate limit, excluding the Shares which were the subject of cancelled options.

(26) *Termination*

The Company may, by ordinary resolution in general meeting, or the Board may at any time terminate the Share Option Scheme and in such event no further options may be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect in respect of options which are granted during the life of the Share Option Scheme and which remain unexpired immediately prior to termination of the operation of the Share Option Scheme.

The Share Option Scheme is conditional upon the Stock Exchange granting approval of the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of any options to be granted under the Share Option Scheme.

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme.

2. Tax and other indemnities

Pursuant to a deed of indemnity dated 29 November 2016 referred to in the section headed “B. Information about the business — 1. Summary of the material contracts” in this appendix, our Controlling Shareholders have given indemnities in favour of our Company (for itself and as trustee for its subsidiaries) on a joint and several basis in connection with, among other things:

- (i) estate duty which might be payable by any member of our Group by reason of any transfer of property on or before the date of commencement of trading in Shares on GEM (the “**Effective Date**”);
- (ii) any tax liabilities falling on any member of our Group resulting from or by reference to any income, profits or gains, transactions, events, matters or things earned, accrued or received, entered into or occurring (or deemed to be so earned, accrued or received, entered into or occurring) on or up to the Effective Date; and
- (iii) any losses and costs which we may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with:
 - (a) any default, failure or delay of the subsidiaries of our Group established in the PRC (“**PRC Subsidiaries**”) in setting up, or making contributions towards all kinds of insurance, funds, contributions or otherwise required to be insured or made by the PRC Subsidiaries under the laws in the PRC for the benefits of their employees including, without limitation, social insurance and housing provident fund, or any part thereof, on or before the Effective Date; and
 - (b) any non-compliance with the applicable laws, rules or regulations of Hong Kong and the PRC on all matters and any non-compliance disclosed in this prospectus by any member of our Group which took place before the Effective Date; and
 - (c) the non-compliance by Mr. Hon with the Company Law of the PRC (《中華人民共和國公司法》) and the Provisions on Administration of Enterprise Legal Person’s Legal Representative Registration (《企業法人法定代表人登記管理規定》) constituted by his acting as the legal representative and director of Guangdong Gudou during the three years from 2 January 2007.

Notwithstanding the foregoing, our Controlling Shareholders will not be liable under the deed of indemnity for liabilities summarised as follows:

- (i) to the extent that provision, reserve or allowance has been made for such taxation or taxation claims in the audited consolidated accounts of our Group for the two years ended 31 December 2014 and 2015 and the five months ended 31 May 2016 (the “**Accounts**”); or

- (ii) to the extent that the taxation or claim arises or is incurred as a result of the imposition of taxation or claim as a consequence of any retrospective change in the law coming into force after the Effective Date or to the extent that such taxation or claim arises or is increased by an increase in rates of taxation or claim after such date with retrospective effect; or
- (iii) to the extent provisions or reserve made such taxation in the Accounts is finally established to be an over-provision or an excessive reserve; or
- (iv) taxation or liability falling on the Group after the Effective Date unless (a) the bases of such taxation occur before the Effective Date; or (b) such taxation or liability would not have arisen but for any act or omission by the Group voluntarily effected without the prior written consent or agreement of the Controlling Shareholders, otherwise than in the ordinary course of business;
- (v) to the extent that such taxation or liability is discharged by another person who is not the Company or any member of the Group and that the Company or such member of the Group is not required to reimburse such person in respect of the discharge of the taxation or liability; and
- (vi) for which the Group is primarily liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business after the Effective Date.

The provisions contained in the deed of indemnity are conditional upon all the conditions stated in the section headed “Structure and conditions of the Placing — Conditions of the Placing” of this prospectus being fulfilled or waived on or before the date which is 30 days after the date of this prospectus, failing which the deed of indemnity shall become null and void and cease to have any force and effect.

3. Litigation

As at the Latest Practicable Date, save as disclosed in this prospectus, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

4. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including all Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any option which may be granted under the Share Option Scheme).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

Pursuant to the engagement letter entered into between our Company and the Sole Sponsor, the Sole Sponsor’s fees are HK\$10,250,000 and are payable by our Company.

5. Preliminary expenses

Our estimated preliminary expenses are approximately HK\$32,600 and are paid or payable by our Company.

6. Promoter

Our Company has no promoter for the purposes of the GEM Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Placing and the related transactions described in this prospectus.

7. Taxation of holders of Shares**(a) Hong Kong**

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares, provided that our Company has no interests in land in the Cayman Islands.

(c) Consultation with professional advisers

We recommend intending holders of the Shares to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Placing can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualifications of experts

The qualifications of the experts who have given their opinion or advice which are contained in, or referred to in this prospectus are as follows:

Name	Qualifications
Celestial Capital	Licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
LCH (Asia-Pacific) Surveyors Limited	Independent professional surveyor
Appleby	Legal advisers to our Company as to Cayman Islands law
GFE Law Office	PRC legal advisers to our Company
Mr. Bernard Mak	Barrister-at-law in Hong Kong
Crowe Horwath	Industry consultant
RSM Consulting (Hong Kong) Limited	Internal control consultant
Team No. 6 of Geology Bureau of Guangdong Province* (廣東省地質局第六地質大隊)	Governmental entity
Jiangmen Branch of Guangdong Hydrographic Office* (廣東省水文局江門水文分局)	Governmental entity

9. Consents of experts

Each of the experts named in the section headed “D. Other information — 8. Qualifications of experts” in this appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

10. Interests of experts in our Company

None of the persons named in the section headed “D. Other information — 8. Qualifications of experts” in this appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Particulars of the Selling Shareholder

Name: Harvest Talent

Registered Address: P.O. Box 957
Offshore Incorporations Centre
Road Town
Tortola
British Virgin Islands

Number of Sale Shares 30,000,000
to be sold:

13. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (c) our Directors confirm that save as disclosed in section headed “Summary — Recent developments” of this prospectus, there has been no material adverse change in the financial or trading position of our Group since 31 May 2016 (being the date to which the latest audited consolidated financial statements of our Group were made up) up to the date of this prospectus;
- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 24 months preceding the date of this prospectus;
- (e) the principal register of members of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company’s share register in Hong Kong and may not be lodged in the Cayman Islands;

- (f) we have made all necessary arrangements to enable the Shares to be admitted to CCASS;
- (g) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (h) no securities of our Group are listed, and no listing of any of such securities is proposed to be sought, on any other stock exchange.
- (i) our Directors have been advised that under the Cayman Islands Companies Law the use of a Chinese name by our Company does not contravene the Cayman Islands Companies Law; and
- (j) our Company has no outstanding convertible debt securities or debentures.

14. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

The English language version of this prospectus has been translated into the Chinese language, and the English and Chinese versions of this prospectus are being published separately. If there is any inconsistency between English and Chinese versions of this prospectus, the English version shall prevail.

However, the translated English names of entities or enterprises established in the PRC included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. To the extent there is any inconsistency between the Chinese names of such entities or enterprises and their English translations, the Chinese names shall prevail.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (i) copies of each of the material contracts referred to in the section headed “Statutory and general information — B. Information about the business — 1. Summary of material contracts” in Appendix V to this prospectus;
- (ii) the written consents referred to in the section headed “Statutory and general information — D. Other information — 9. Consents of experts” in Appendix V to this prospectus; and
- (iii) a statement of particulars of the Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Reed Smith Richards Butler at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (1) the Memorandum and Articles;
- (2) the accountant’s report of our Group issued by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (3) the audited consolidated financial statements of the Group for each of the two financial years ended 31 December 2014 and 2015 and the five months ended 31 May 2016;
- (4) the report issued by PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (5) the internal control report prepared by RSM Consulting (Hong Kong) Limited;
- (6) the letter, summary of values and valuation certificate relating to the property interests of our Group prepared by LCH (Asia-Pacific) Surveyors Limited, the text of which is set out in Appendix III to this prospectus;
- (7) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands Companies Law referred to in Appendix IV to this prospectus;
- (8) the Companies Law;
- (9) the legal opinions prepared by GFE Law Office in respect of certain aspects of our Group and the property interests of our Group in the PRC;
- (10) the legal opinion prepared by Mr. Bernard Mak;

- (11) the material contracts referred to in the section headed “Statutory and general information — B. Information about the business — 1. Summary of material contracts” in Appendix V to this prospectus;
- (12) the service contracts referred to in the section headed “Statutory and general information — C. Further information about Directors and substantial shareholders — 2. Particulars of Director’s service contracts” in Appendix V to this prospectus;
- (13) the rules of the Share Option Scheme;
- (14) the written consents referred to in the section headed “Statutory and general information — D. Other information — 9. Consent of experts” in Appendix V to this prospectus;
- (15) the independent research report dated 30 November 2016 issued by Crowe Horwath;
- (16) the resources verification report dated 26 July 2011 issued by Team No. 6 of Geology Bureau of Guangdong Province* (廣東省地質局第六地質大隊);
- (17) the resources verification report dated May 2014 issued by the Jiangmen Branch of Guangdong Hydrographic Office* (廣東省水文局江門水文分局); and
- (18) a statement of particulars of the Selling Shareholder.



古兜控股有限公司
Gudou Holdings Limited