



古兜控股有限公司

Gudou Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8308



2017
Interim Report



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

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This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Highlights

- For the six months ended 30 June 2017, revenue of the Group was approximately RMB74.3 million, representing an increase of approximately 12.7% compared to the corresponding period in 2016.
- For the six months ended 30 June 2017, gross profit of the Group increased by approximately 8.5% to approximately RMB19.5 million as compared to the corresponding period of last year.
- Net loss for the six months ended 30 June 2017 amounted to approximately RMB11.9 million, while the Group recorded a loss of approximately RMB27.2 million for the six months ended 30 June 2016.
- Basic loss per share for the six months ended 30 June 2017 was approximately RMB1.2 cents, and basic loss per share for the six months ended 30 June 2016 was approximately RMB3.7 cents.
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017. For the six months ended 30 June 2016, no interim dividend was paid or declared.

Interim Results

The Board is pleased to announce the unaudited condensed consolidated financial statements of the Group for the three months and six months ended 30 June 2017 together with the comparative unaudited figures for the corresponding periods in 2016, as follows:

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

| | Note | Three months ended 30 June | | Six months ended 30 June | |
|---|------|-------------------------------|------------------------|-----------------------------|------------------------|
| | | 2017 | 2016 | 2017 | 2016 |
| | | RMB'000 (unaudited) | RMB'000 (unaudited) | RMB'000 (unaudited) | RMB'000 (unaudited) |
| Revenue | 3 | 21,700 | 26,761 | 74,264 | 65,867 |
| Cost of sales | | (23,423) | (23,464) | (54,787) | (47,913) |
| Gross profit/(loss) | | (1,723) | 3,297 | 19,477 | 17,954 |
| Other income | 4 | 136 | 104 | 371 | 179 |
| Fair value gains on investment properties | | 9,060 | 5,430 | 15,170 | 9,640 |
| Selling expenses | | (4,192) | (5,264) | (10,391) | (10,749) |
| Administrative expenses | | (11,633) | (15,084) | (21,050) | (23,548) |
| Profit/(loss) from operations | | (8,352) | (11,517) | 3,577 | (6,524) |
| Finance costs | | (5,065) | (8,870) | (10,090) | (19,904) |
| Loss before tax | | (13,417) | (20,387) | (6,513) | (26,428) |
| Income tax (expenses)/credit | 6 | (2,415) | 608 | (5,413) | (805) |
| Loss for the periods | | (15,832) | (19,779) | (11,926) | (27,233) |
| Other comprehensive income/ (loss) for the periods, net of tax | | | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | | | |
| Currency translation differences | | 588 | (6,043) | 795 | (4,533) |
| Total comprehensive loss for the periods | | (15,244) | (25,822) | (11,131) | (31,766) |

| | Three months ended 30 June | | Six months ended 30 June | |
|---|-------------------------------|-----------------|-----------------------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Note | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Loss for the periods attributable to: | | | | |
| Owners of the Company | <u>(15,832)</u> | <u>(19,779)</u> | <u>(11,926)</u> | <u>(27,233)</u> |
| Total comprehensive loss for the periods attributable to: | | | | |
| Owners of the Company | <u>(15,244)</u> | <u>(25,822)</u> | <u>(11,131)</u> | <u>(31,766)</u> |
| Loss per share attributable to owners of the Company for the periods | | | | |
| Basic and diluted (RMB cents) | 8 <u>(1.6)</u> | <u>(2.7)</u> | <u>(1.2)</u> | <u>(3.7)</u> |

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2017

| | | As at 30 June 2017 RMB'000 (unaudited) | As at 31 December 2016 RMB'000 (audited) |
|---|-------------|---|---|
| | <i>Note</i> | | |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 255,021 | 261,674 |
| Prepaid land lease payments | | 7,641 | 7,805 |
| Investment properties | | 573,450 | 558,280 |
| Deposits and prepayments | | 6,728 | 13,430 |
| Deferred tax assets | | 6,581 | 6,581 |
| | | <u>849,421</u> | <u>847,770</u> |
| Current assets | | | |
| Properties held for sale | | 85,018 | 80,042 |
| Inventories | | 3,446 | 3,332 |
| Accounts receivable | 10 | 23,829 | 26,244 |
| Prepaid land lease payments | | 326 | 326 |
| Prepayments, deposits and other receivables | | 29,779 | 28,444 |
| Restricted bank deposits | | 81,115 | 91,846 |
| Bank and cash balances | | 41,871 | 66,926 |
| | | <u>265,384</u> | <u>297,160</u> |
| Current liabilities | | | |
| Accounts payable | 11 | 36,863 | 54,876 |
| Proceeds received from pre-sale of properties | | 104,131 | 43,429 |
| Accruals and other payables | | 43,531 | 57,423 |
| Borrowings | 12 | 122,790 | 152,415 |
| Current tax liabilities | | 14,530 | 16,957 |
| | | <u>321,845</u> | <u>325,100</u> |

| | | As at 30 June 2017 RMB'000 (unaudited) | As at 31 December 2016 RMB'000 (audited) |
|--|----|---|--|
| Net current liabilities | | <u>(56,461)</u> | <u>(27,940)</u> |
| Total assets less current liabilities | | <u>792,960</u> | <u>819,830</u> |
| Non-current liabilities | | | |
| Borrowings | 12 | 291,549 | 312,556 |
| Deferred tax liabilities | | 152,335 | 148,543 |
| Deferred income | | 9,208 | 9,458 |
| | | <u>453,092</u> | <u>470,557</u> |
| NET ASSETS | | <u>339,868</u> | <u>349,273</u> |
| Capital and reserves | | | |
| Share capital | | 8,669 | 8,669 |
| Reserves | | 331,199 | 340,604 |
| TOTAL EQUITY | | <u>339,868</u> | <u>349,273</u> |

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

| | Share capital | Share Premium | Foreign currency translation reserve | Capital reserve | Share option reserve | Other reserve | Retained profits | Total equity |
|---|---------------|---------------|--------------------------------------|-----------------|----------------------|---------------|------------------|----------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 1 January 2017 (Audited) | 8,669 | 99,249 | (4,657) | (277) | — | 69,528 | 176,761 | 349,273 |
| Comprehensive loss | | | | | | | | |
| Loss for the period | — | — | — | — | — | — | (11,926) | (11,926) |
| Other comprehensive income | | | | | | | | |
| Currency translation differences | — | — | 795 | — | — | — | — | 795 |
| Total comprehensive income/(loss) for the period | — | — | 795 | — | — | — | (11,926) | (11,131) |
| Share-based payment | — | — | — | — | 1,726 | — | — | 1,726 |
| As at 30 June 2017 (Unaudited) | <u>8,669</u> | <u>99,249</u> | <u>(3,862)</u> | <u>(277)</u> | <u>1,726</u> | <u>69,528</u> | <u>164,835</u> | <u>339,868</u> |

| | Share capital RMB'000 | Share Premium RMB'000 | Foreign currency translation reserve RMB'000 | Capital reserve RMB'000 | Share option reserve RMB'000 | Other reserve RMB'000 | Retained profits RMB'000 | Total equity RMB'000 |
|---|-----------------------------|-----------------------------|--|-------------------------------|---------------------------------------|-----------------------------|--------------------------------|----------------------------|
| As at 1 January 2016 (Audited) | <u>301</u> | <u>—</u> | <u>10,091</u> | <u>(277)</u> | <u>—</u> | <u>(58,659)</u> | <u>223,408</u> | <u>174,864</u> |
| Comprehensive loss | | | | | | | | |
| Loss for the period | — | — | — | — | — | — | (27,233) | (27,233) |
| Other | | | | | | | | |
| comprehensive | | | | | | | | |
| loss | | | | | | | | |
| Currency translation differences | <u>—</u> | <u>—</u> | <u>(4,533)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(4,533)</u> |
| Total comprehensive | | | | | | | | |
| loss for the | | | | | | | | |
| period | <u>—</u> | <u>—</u> | <u>(4,533)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(27,233)</u> | <u>(31,766)</u> |
| As at 30 June 2016 (Unaudited) | <u><u>301</u></u> | <u><u>—</u></u> | <u><u>5,558</u></u> | <u><u>(277)</u></u> | <u><u>—</u></u> | <u><u>(58,659)</u></u> | <u><u>196,175</u></u> | <u><u>143,098</u></u> |

Unaudited Condensed Consolidated Statement of Cash Flows

| | Six months ended | |
|---|----------------------|----------------------|
| | 30 June | |
| | 2017 | 2016 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (unaudited) | (unaudited) |
| Net cash generated from operating activities | 25,543 | 23,576 |
| Net cash generated from/(used in) investing activities | 6,930 | (71,963) |
| Net cash (used in)/generated from financing activities | <u>(57,999)</u> | <u>38,421</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (25,526) | (9,966) |
| Effect of foreign exchange rate changes | 471 | (772) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | <u>66,926</u> | <u>32,599</u> |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | <u><u>41,871</u></u> | <u><u>21,861</u></u> |
| ANALYSIS OF CASH AND CASH EQUIVALENTS | | |
| Bank and cash balances | <u><u>41,871</u></u> | <u><u>21,861</u></u> |

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

1 General information

The Company was incorporated on 10 January 2014 in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands. The address of its principal place of business is Gudou Hot Spring Resort Complex, Yamen Town, Xinhui, Jiangmen, Guangdong Province, the PRC (中國廣東省江門市新會區崖門鎮古兜溫泉綜合度假村). The Company's shares were listed on GEM on 9 December 2016.

The Company is an investment holding company. The principal activities of its subsidiaries are hot spring resort, hotel operations and tourism property development.

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

2 Basis of Preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the Period. There have been no significant changes to the accounting policies applied in these financial statements for the current and prior accounting periods presented as a result of these developments.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

The preparation of the unaudited condensed consolidated interim financial statements is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require the management to exercise their judgements in the process of applying the Group's accounting policies.

The unaudited condensed consolidated interim financial statements have not been audited by the Company's independent auditor, but have been reviewed by the Company's audit committee.

3 Revenue

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

| | Three months ended 30 June | | Six months ended 30 June | |
|---------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 2017 <i>RMB'000</i> (unaudited) | 2016 <i>RMB'000</i> (unaudited) | 2017 <i>RMB'000</i> (unaudited) | 2016 <i>RMB'000</i> (unaudited) |
| Property sales | 1,718 | 8,428 | 18,797 | 12,431 |
| Room revenue | 10,249 | 10,024 | 29,766 | 28,979 |
| Admission income | 3,458 | 2,781 | 9,307 | 9,139 |
| Catering income | 4,628 | 4,030 | 11,885 | 11,477 |
| Rental income | 413 | 301 | 749 | 783 |
| Massage service income | 480 | 327 | 1,425 | 962 |
| Conference fee income | 274 | 274 | 781 | 763 |
| Other service income | 480 | 596 | 1,554 | 1,333 |
| | <u>21,700</u> | <u>26,761</u> | <u>74,264</u> | <u>65,867</u> |

4 Other income

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 2017 <i>RMB'000</i> (unaudited) | 2016 <i>RMB'000</i> (unaudited) | 2017 <i>RMB'000</i> (unaudited) | 2016 <i>RMB'000</i> (unaudited) |
| Interest income | 102 | 97 | 346 | 122 |
| Forfeited properties sales deposits | 34 | — | 34 | 51 |
| Loss on disposal of property, plant and equipment, net | — | — | (9) | (1) |
| Other | — | 7 | — | 7 |
| | <u>136</u> | <u>104</u> | <u>371</u> | <u>179</u> |

5 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 assess the performance of the operating segments based on their segment profits before income tax expenses. 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, including under the hotel and resort operation segment.

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

| | Hotel and resort operation RMB'000 (unaudited) | Property development RMB'000 (unaudited) | Total RMB'000 (unaudited) |
|--|--|---|---------------------------------|
| For the six months ended 30 June 2017 | | | |
| Segment revenue | <u>55,467</u> | <u>18,797</u> | <u>74,264</u> |
| Segment profit | 590 | 7,811 | 8,401 |
| Fair value gains on investment properties for undetermined use | | | 8,910 |
| Finance costs | | | (10,090) |
| Unallocated corporate expenses | | | <u>(13,734)</u> |
| Loss before tax | | | (6,513) |
| Income tax expenses | | | <u>(5,413)</u> |
| Loss for the period | | | <u>(11,926)</u> |
| | Hotel and resort operation RMB'000 (unaudited) | Property development RMB'000 (unaudited) | Total RMB'000 (unaudited) |
| As at 30 June 2017 | | | |
| ASSETS | | | |
| Segment assets | <u>498,549</u> | <u>139,800</u> | 638,349 |
| Unallocated assets | | | <u>476,456</u> |
| Consolidated total assets | | | <u>1,114,805</u> |
| LIABILITIES | | | |
| Segment liabilities | <u>54,564</u> | <u>139,180</u> | 193,744 |
| Unallocated liabilities | | | <u>581,193</u> |
| Consolidated total liabilities | | | <u>774,937</u> |

| | Hotel and resort operation <i>RMB'000</i> (unaudited) | Property development <i>RMB'000</i> (unaudited) | Total <i>RMB'000</i> (unaudited) |
|--|---|--|--|
| For the six months ended 30 June 2016 | | | |
| Segment revenue | <u>53,436</u> | <u>12,431</u> | <u>65,867</u> |
| Segment profit | 3,221 | 3,040 | 6,261 |
| Fair value gains on investment properties for undetermined use | | | 5,640 |
| Finance costs | | | (19,904) |
| Unallocated corporate expenses | | | <u>(18,425)</u> |
| Loss before tax | | | (26,428) |
| Income tax expenses | | | <u>(805)</u> |
| Loss for the period | | | <u><u>(27,233)</u></u> |

| | Hotel and resort operation <i>RMB'000</i> (audited) | Property development <i>RMB'000</i> (audited) | Total <i>RMB'000</i> (audited) |
|--------------------------------|---|--|--------------------------------------|
| As at 31 December 2016 | | | |
| ASSETS | | | |
| Segment assets | <u>513,617</u> | <u>127,751</u> | 641,368 |
| Unallocated assets | | | <u>503,562</u> |
| Consolidated total assets | | | <u><u>1,144,930</u></u> |
| LIABILITIES | | | |
| Segment liabilities | <u>53,734</u> | <u>108,849</u> | 162,583 |
| Unallocated liabilities | | | <u>633,074</u> |
| Consolidated total liabilities | | | <u><u>795,657</u></u> |

(ii) Geographical information:

All the revenue and non-current assets are based in the PRC for the six months ended 30 June 2017 (2016: Same).

(iii) Revenue from major customers:

The revenue from the Group's largest customer amounted to approximately RMB5.1 million or 6.9% (2016: RMB6.9 million or 10.5%) of the Group's total revenue for the six months ended 30 June 2017.

6 Income tax (expenses)/credit

For the six months ended 30 June 2017, no provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong (2016: Nil). The Group's subsidiaries in the PRC are subject to the PRC enterprise income tax at a rate of 25% on estimated assessable profits.

| | Three months ended 30 June | | Six months ended 30 June | |
|---------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2017 RMB'000 (unaudited) | 2016 RMB'000 (unaudited) | 2017 RMB'000 (unaudited) | 2016 RMB'000 (unaudited) |
| Current tax | | | | |
| Hong Kong profits tax | — | — | — | — |
| PRC enterprise income tax | (3) | — | (3) | (3) |
| Land appreciation tax | (148) | (756) | (1,618) | (1,114) |
| | (151) | (756) | (1,621) | (1,117) |
| Deferred tax | (2,264) | 1,364 | (3,792) | 312 |
| | (2,415) | 608 | (5,413) | (805) |

7 Dividend

No dividend was paid or declared by the Company during the six months ended 30 June 2017, nor has any dividend been proposed since the end of the Period (2016: Nil).

8 Loss per share
Basic

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

| | Three months ended 30 June | | Six months ended 30 June | |
|---|-------------------------------|---------------------|-----------------------------|---------------------|
| | 2017 (unaudited) | 2016 (unaudited) | 2017 (unaudited) | 2016 (unaudited) |
| Loss attributable to owners of the Company (RMB'000) | (15,832) | (19,779) | (11,926) | (27,233) |
| Weighted average number of ordinary shares in issue ('000) (Note) | <u>980,000</u> | <u>740,500</u> | <u>980,000</u> | <u>740,500</u> |
| Basic loss per share (RMB cents) | <u>(1.6)</u> | <u>(2.7)</u> | <u>(1.2)</u> | <u>(3.7)</u> |

Note:

For the six months ended 30 June 2016, the weighted average number of ordinary shares was calculated by deducting the weighted average of puttable shares and adjusted retrospectively for the capitalisation issue of 712,000,000 Shares which took place on 9 December 2016.

Diluted loss per share for the six months ended 30 June 2017 and 2016 are the same as the basic loss per share as there were no dilutive potential ordinary shares in issue during both periods.

9 Property, plant and equipment

RMB'000

Cost

| | |
|----------------------------------|---------|
| As at 31 December 2016 (audited) | 404,703 |
| Additions | 3,825 |
| Disposals | (30) |
| Exchange differences | (75) |
| | <hr/> |

As at 30 June 2017 (unaudited) 408,423

Accumulated depreciation

| | |
|----------------------------------|---------|
| As at 31 December 2016 (audited) | 143,029 |
| Additions | 10,436 |
| Disposals | (7) |
| Exchange differences | (56) |
| | <hr/> |

As at 30 June 2017 (unaudited) 153,402

Carrying amount

As at 30 June 2017 (unaudited) 255,021

As at 31 December 2016 (audited) 261,674

10 Accounts receivable

The aging analysis of the Group's accounts receivable, based on the invoice date, or scheduled repayment dates for property unit purchasers is as follows:

| | As at 30 June 2017 RMB'000 (unaudited) | As at 31 December 2016 RMB'000 (audited) |
|-----------------|--|--|
| Up to 30 days | 22,087 | 24,325 |
| 31 to 60 days | 692 | 939 |
| 61 to 90 days | 99 | 294 |
| 91 to 180 days | 327 | 264 |
| 181 to 365 days | 39 | 32 |
| 1 to 2 years | 585 | 390 |
| | <hr/> | <hr/> |
| | <u><u>23,829</u></u> | <u><u>26,244</u></u> |

11 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:

| | As at 30 June 2017 RMB'000 (unaudited) | As at 31 December 2016 RMB'000 (audited) |
|-----------------|---|--|
| Up to 90 days | 9,742 | 31,542 |
| 91 to 180 days | 17,234 | 4,066 |
| 181 to 365 days | 5,634 | 16,132 |
| 1 to 2 years | 1,117 | 905 |
| Over 2 years | 3,136 | 2,231 |
| | <u>36,863</u> | <u>54,876</u> |

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

12 Borrowings

| | As at 30 June 2017 RMB'000 (unaudited) | As at 31 December 2016 RMB'000 (audited) |
|------------|---|--|
| Bank loans | <u>414,339</u> | <u>464,971</u> |

The borrowings are repayable as follows:

| | As at 30 June 2017 RMB'000 (unaudited) | As at 31 December 2016 RMB'000 (audited) |
|--|---|--|
| Within one year | 122,790 | 152,415 |
| Between one and two years | 84,112 | 74,053 |
| Between two to five years | 118,078 | 134,382 |
| Over five years | 89,359 | 104,121 |
| | 414,339 | 464,971 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | (122,790) | (152,415) |
| Amount due for settlement after 12 months | 291,549 | 312,556 |

13 Capital commitments

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

| | As at 30 June 2017 RMB'000 (unaudited) | As at 31 December 2016 RMB'000 (audited) |
|--------------------------|---|--|
| Construction in progress | 6,860 | 4,926 |
| Properties held for sale | 46,381 | 33,360 |
| | 53,241 | 38,286 |

14 Lease commitments

Operating lease commitments – lessee

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

| | As at 30 June 2017 RMB'000 (unaudited) | As at 31 December 2016 RMB'000 (audited) |
|---------------------------------------|---|--|
| Within one year | 5,472 | 6,142 |
| In the second to fifth year inclusive | 11,547 | 13,543 |
| After five years | 6,548 | 6,809 |
| | 23,567 | 26,494 |

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

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

| | As at 30 June 2017 RMB'000 (unaudited) | As at 31 December 2016 RMB'000 (audited) |
|---------------------------------------|---|--|
| Within one year | 1,024 | 1,414 |
| In the second to fifth year inclusive | 311 | 452 |
| After five years | — | 12 |
| | 1,335 | 1,878 |

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.

15 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.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the year ended 30 June 2017.

(a) Name and relationship with related parties

| Name of related parties | Relationship |
|-------------------------|------------------------------|
| Fu An | Shareholder |
| Dynasty Fortune | Shareholder |
| Grand Luck | Shareholder |
| Mr. Hon | Executive Director |
| Mrs. Hon | Spouse of executive Director |

(b) Transactions with related parties

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

| | As at 30 June | |
|---|---------------|-------------|
| | 2017 | 2016 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Finance costs from puttable shares: | | |
| – Fu An | — | 2,131 |
| – Dynasty Fortune | — | 3,195 |
| – Grand Luck | — | 1,336 |
| Finance costs from shareholders' loans: | | |
| – Fu An | — | 1,921 |
| – Dynasty Fortune | — | 1,921 |
| Salary of Mrs. Hon. | 66 | 66 |

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

| | As at 30 June | |
|---|---------------|--------------|
| | 2017 | 2016 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Salaries, bonus and allowances | 2,970 | 999 |
| Retirement benefit scheme contributions | 80 | 70 |
| | <u>3,050</u> | <u>1,069</u> |

Comparison of Business Objectives with Actual Business Progress

The table below sets out the Directors' analysis by comparing the business objectives of the Group as set out in the Prospectus with the Group's achievement of these objectives up to 30 June 2017. These business objectives are in place with a view to generating long-term value to the Company and the Shareholders.

| Business Objectives | Actual Business Progress up to 30 June 2017 |
|---|---|
| 1. Continue to enhance the Group's position in the hot spring and hotel industry | The Group's effort in respect of enhancing its position in the hot spring and hotel industry is still ongoing. |
| (i) Replicate the Group's business model to operate new hot spring resorts and hotels | (i) The Group will continue to select its potential target cities based on a number of factors, including, among others, local favourable governmental policy, local tourism development, infrastructure, locations or available land sites, regional economy, regional level of disposal income, cost of transportation and cost of energy supply. |
| (ii) Provide management services to other hot spring resort owners | |

Business Objectives

Actual Business Progress up to 30 June 2017

- (ii) The Group will continue to explore new business opportunities to provide management services to hot spring resorts owned by third party owners. The investment and development team, led by Mr. Huang Zhanxiong, will continue to identify and evaluate potential business opportunities.
2. Plan to expand the tourism property development business of the Group
- To prepare for the expansion of the tourism property development business, the Group has adopted standardised development procedures so as to achieve a more efficient use of capital and other resources, and to complete new tourism property projects on a timely manner while maintaining an effective control over costs.

Business Objectives

Actual Business Progress up to 30 June 2017

As of 30 June 2017, the Group is developing two tourism property projects within Gudou Hot Spring Resort, namely Mountain Seaview Vacation Residence which will comprise mainly high-rise apartments and Heart of Spring Apartments which will comprise mainly low-rise apartments and commercial units. The Group obtained the construction permit for the Heart of Spring Apartments in the second quarter of 2017. Regarding Mountain Seaview Vacation Residence, the Group expects the construction will be completed in the fourth quarter of 2017. The two projects are ongoing in accordance with the Group's development plan and marketing schedule.

Business Objectives

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

Actual Business Progress up to 30 June 2017

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

- crab festival from April to June 2017
- carnival in May 2017

Principal Risk and Uncertainties

The principal risks and uncertainties in implementing its business strategies include the following:

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

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

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

Use of Proceeds from the Placing

Net proceeds in the amount of approximately HK\$130.6 million were raised from the Placing. As at 30 June 2017, approximately HK\$79.3 million from the net proceeds raised from the Placing had been applied towards the repayment of Shareholders' loans. Further, the Group has applied (i) approximately HK\$23.0 million from the net proceeds raised from the Placing towards the Group's construction and development for three property development projects; (ii) approximately HK\$1.0 million towards enhancing Gudou Hot Spring Resort and its existing facilities; and (iii) approximately HK\$2.0 million as the Group's working capital since Listing.

The unused net proceeds in the amount of approximately HK\$25.3 million were deposited in the Group's bank accounts located in the PRC.

Management Discussion and Analysis

Business review

The Group is principally engaged in the operation and management of Gudou Hot Spring Resort and the development and sale of tourism properties within Gudou Hot Spring Resort.

For the six months ended 30 June 2017, revenue of the Group was approximately RMB74.3 million, representing an increase of approximately 12.7% compared to the corresponding period in 2016 (six months ended 30 June 2016: RMB65.9 million). Loss attributable to owners of the Company for the six months ended 30 June 2017 amounted to approximately RMB11.9 million (six months ended 30 June 2016: RMB27.2 million).

Hot Spring Resort and Hotel Operations

In the early 2017, the Group's new themed hotel complex, Joyful Hotel, commenced operations and attracted more visitors to Gudou Hot Spring Resort. The Group's hot spring resort and hotel operations business grew slightly in the first half of 2017 compared to the corresponding period in 2016. The business in the second quarter of the year slowed down as compared to the first quarter of the year due to warmer weather. The Group's turnover derived from hot spring resort and hotel operations increased by approximately 3.8% to approximately RMB55.5 million when compared to the corresponding period of previous year. The room revenue generated from its themed hotel complexes increased slightly by approximately 2.7% for the six months ended 30 June 2017 compared to that for 2016, while the occupancy rate of its themed hotel complexes slightly decreased from approximately 42.3% for the six months ended 30 June 2016 to approximately 40.6% for the six months ended 30 June 2017. The Group believes that the decrease in occupancy rate was mainly due to the opening of Joyful Hotel in early 2017 which led to an increase in Total Available Room Nights.

Tourism Property Development

In addition to hot spring resort and hotel operations business, the Group continues its sale of tourism property during the Period. The Group recorded an increase of approximately 51.2% in revenue from its tourism property development business of approximately RMB18.8 million for the six months ended 30 June 2017 as compared to approximately RMB12.4 million for the six months ended 30 June 2016 mainly due to the increase in gross floor area sold and delivered for its Joyful Apartments in the first quarter in 2017. The Group recognised a lower level of revenue for tourism property development business in the second quarter of 2017 as most units of Joyful Apartments have been delivered by the first quarter of 2017 and the delivery of the pre-sold Mountain Seaview Vacation Residence is expected to commence in the fourth quarter of 2017.

The Group obtained the construction permit for the Heart of Spring Apartments in the second quarter of 2017. Progress of the tourism property development projects was in line with the Group's plans and directions.

Financial review

Revenue

For the Period, the Group recorded revenue of approximately RMB74.3 million (corresponding period in 2016: RMB65.9 million), representing an increase of approximately 12.7% when compared to the previous year. The increase in revenue was primarily attributable to the increase in revenue generated from its tourism property development. The Group recorded an increase of approximately 51.2% in revenue from its tourism property development business of approximately RMB18.8 million for the six months ended 30 June 2017 as compared to the corresponding period in 2016 due to the sales and delivery of Joyful Apartments in respect of which construction was completed in late 2016. The revenue generated from the Group's hot spring resort and hotel operations is relatively stable. The increase in room revenue generated from its hot spring resort and hotel operations was offset by the decrease in its occupancy rate. The Group's revenue attributable to hot spring resort and hotel operations recorded a growth of approximately 3.8% from approximately RMB53.4 million for the six months ended 30 June 2016 to approximately RMB55.5 million for the Period.

Cost of Sales

The Group's cost of sales for the Period was approximately RMB54.8 million, representing an increase of approximately 14.3% from approximately RMB47.9 million in respect of the six months ended 30 June 2016. Such increase was primarily due to (i) an increase in cost of sales of its hot spring resort and hotel operations which was primarily attributable to the increase in staff costs and depreciation of property, plant and equipment, and (ii) an increase in the gross floor area sold and delivered during the Period resulting in an increase in cost of sales of its tourism property development, which is in line with the growth of revenue generated from its tourism property development.

Gross Profit and Gross Profit Margin

The Group's gross profit amounted to approximately RMB19.5 million for the Period, representing an increase of approximately RMB1.5 million or approximately 8.5% from approximately RMB18.0 million for the same period of last year, which was in line with the increase in the Group's turnover during the Period. The Group's gross profit margin for the Period decreased slightly by approximately 1.1% to approximately 26.2% from approximately 27.3% for the same period of last year. Such decrease was primarily due to the drop of average gross profit margin from hot spring resort and hotel operations outweighing the increase in average gross profit margin for tourism property development despite the rise of portion of gross profit derived from tourism property development business.

Loss before Tax

The Group's loss before tax amounted to approximately RMB6.5 million for the Period, representing a decrease of approximately RMB19.9 million or approximately 75.4% from approximately RMB26.4 million for the same period of last year, primarily reflecting (i) lower level of finance costs being recognised in the Period as the Group repaid its interest-bearing Shareholders' loans and lapse of the Group's puttable options in December 2016, and (ii) increased level of fair value gains on investment properties.

Income Tax Expenses

The Group's income tax expenses for the Period increased by approximately 572.4% or approximately RMB4.6 million as compared to approximately RMB0.8 million for the same period of last year. Such increase in the Group's income tax expenses was attributable to the increase in land appreciation tax and the increase in deferred tax expenses due to the relatively higher fair value gains on investment properties during the Period.

Net Loss

The Group's loss for the Period decreased by approximately RMB15.3 million, or approximately 56.2% to approximately RMB11.9 million for the six months ended 30 June 2017 as compared to approximately RMB27.2 million for the same period of last year, which was primarily due to the Group's increased revenue, increased fair value gains on investment properties and lower finance costs during the Period.

Liquidity and Financial Resources and Capital Structure

Prior to the Listing, the Group's operations had generally been financed by a combination of cash generated from operations, borrowings and advances/loans from Shareholders. Net proceeds in the amount of approximately HK\$130.6 million were raised from the Placing, and during the Period, the operations of the Group were funded by internally generated cash flows, borrowings and net proceeds from the Placing.

As at 30 June 2017, the Group had bank and cash balances of approximately RMB41.9 million which were denominated in RMB and HK dollars.

The Group's outstanding capital commitments as at 30 June 2017 amounted to approximately RMB53.2 million (31 December 2016: RMB38.3 million). Such commitments primarily related to construction in progress and properties held for sale of the Group. Such outstanding commitments are expected to be funded by net proceeds from the Placing, internal funds and/or bank borrowings.

As at 30 June 2017, the Group had outstanding bank loans of approximately RMB414.3 million which were denominated in RMB and HK dollars and among which approximately RMB67.5 million were fixed rate borrowings. The Group repaid bank loans of approximately RMB107.4 million, which was in line with the Group's repayment schedule. The maturities of borrowings are disclosed in note 12 to the unaudited condensed consolidated financial statements of the Group. The proceeds from the borrowings were primarily used for capital expenditure, working capital and operating expenses.

The Group's gearing ratio as at 31 December 2016 and 30 June 2017, which was calculated by dividing its total borrowings by its total equity as at those dates, was approximately 1.3 and 1.2 respectively. The decrease in its gearing ratio as at 30 June 2017 was primarily attributable to decrease in bank borrowings.

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

Charges on Group Assets

As at 30 June 2017, an amount of approximately RMB467.8 million (31 December 2016: RMB466.5 million) was pledged to banks to secure bank borrowings of the Group.

Significant Investments/Material Acquisitions and Disposals

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

Contingent Liabilities

As at 30 June 2017, the Group did not have any significant contingent liabilities.

Exposure to Fluctuations in Exchange Rates

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

Human Resources

As at 30 June 2017, the Group had a workforce of 649 full-time employees (including the Directors) of whom approximately 99% were employed in the PRC and approximately 1% in Hong Kong. The Group's staff costs (excluding contributions to pension schemes) for the six months ended 30 June 2016 and 2017 amounted to approximately RMB17.2 million and RMB23.6 million, respectively. The Group hires part-time employees from time to time to cope with additional staffing requirements for its hot spring resort and hotel operations during peak seasons. The Group's employees in Hong Kong are required to participate in the Mandatory Provident Fund scheme under which the Group is required to contribute a fixed percentage of the employees' payroll costs (up to a maximum of HK\$1,500 per month) to the scheme. For the employees of its PRC subsidiaries, the Group makes contributions to various government sponsored employee benefit funds, including housing provident fund, basic pension insurance fund, basic medical insurance, unemployment insurance, maternity insurance and work related injury insurance funds in accordance with applicable PRC laws and regulations.

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

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

Reserves

Movements in the reserves of the Group for the six months ended 30 June 2017 are set out in the unaudited condensed consolidated statement of changes in equity set out above.

Dividends

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017. During the six months ended 30 June 2016, no interim dividend was paid or declared.

Business Prospect

The Group's business in the second quarter of 2017 slowed down as compared to the three months ended 31 March 2017, which was mainly a result of (i) the decrease in the revenue generated from its hot spring resort operation in the second quarter of 2017 due to warmer weather; and (ii) the decrease in the revenue recognised for its tourism property development business as most units of Joyful Apartments have been delivered by the first quarter of 2017 and significantly less properties were delivered in the second quarter of 2017.

The Group will continue to operate Gudou Hot Spring Resort but does not expect the revenue to increase until the end of third quarter of 2017 as the autumn and winter seasons are ordinarily more attractive for hot spring patrons than other seasons in the year due to cooler weather.

The Group obtained the construction permit for the Heart of Spring Apartments in the second quarter of 2017. It expects that the construction of Mountain Seaview Vacation Residence will be completed in the fourth quarter of 2017 and the delivery of the pre-sold Mountain Seaview Vacation Residence and the pre-sale of Heart of Spring Apartments will proceed in late 2017. If the delivery of Mountain Seaview Vacation Residence and the pre-sale of Heart of Spring Apartments proceed in accordance with the development schedule, the Group expects its performance in tourism property development will improve in 2017.

Interests and Short Positions of Directors and Chief Executive in the Shares, Underlying Shares and Debentures

As at 30 June 2017, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as required, pursuant to the minimum standards of dealing by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares

| Name | Capacity/Nature of interest | Interests in ordinary Shares (Note 1) | Number of underlying shares held under equity derivatives | Total | Percentage of the Company's issued share capital as at 30 June 2017 (Note 2) |
|---------------------------|---|--|---|-------------|---|
| Mr. Hon | Interest of a controlled corporation (Note 3) Beneficial owner (Note 4) | 532,500,000 (L) | 4,900,000 | 537,400,000 | 54.84% |
| Mr. Huang Zhanxiong | Beneficial owner (Note 4) | — | 4,900,000 | 4,900,000 | 0.50% |
| Ms. Zhen Yaman | Beneficial owner (Note 4) | — | 2,450,000 | 2,450,000 | 0.25% |
| Mr. Hon Ka Fung | Beneficial owner (Note 4) | — | 2,450,000 | 2,450,000 | 0.25% |
| Mr. Hui Chin Tong Godfrey | Interest of a controlled corporation (Note 5) Beneficial owner (Note 4) | 90,000,000 (L) | 7,840,000 | 97,840,000 | 9.98% |

| Name | Capacity/Nature of interest | Interests in ordinary Shares (Note 1) | Number of underlying shares held under equity derivatives | Total | Percentage of the Company's issued share capital as at 30 June 2017 (Note 2) |
|-------------------|-----------------------------|---------------------------------------|---|-----------|--|
| | | | | | |
| Mr. Wu Sai Him | Beneficial owner (Note 4) | – | 2,450,000 | 2,450,000 | 0.25% |
| Mr. Chiu Chi Wing | Beneficial owner (Note 4) | – | 2,450,000 | 2,450,000 | 0.25% |
| Prof. Wang Dawu | Beneficial owner (Note 4) | – | 2,450,000 | 2,450,000 | 0.25% |

Notes:

1. The letter “L” denotes the person’s long position in the Shares.
2. The percentage of the Company’s issued share capital is based on the 980,000,000 Shares issued as at 30 June 2017.
3. Mr. Hon owns one share (with no par value) in Harvest Talent, representing 100% of its issued share capital. Harvest Talent is an associated corporation (within the meaning of Part XV of the SFO) of the Company and the registered owner of 532,500,000 Shares. By virtue of the SFO, Mr. Hon is deemed to be interested in all the Shares held by Harvest Talent.
4. These underlying shares of the Company held under equity derivatives represented the share options (being regarded for the time being as unlisted physically settled equity derivatives) granted by the Company under its Share Option Scheme. Particulars of these share options and their movements during the six months ended 30 June 2017 are set out in the section headed “Share Option Scheme”.
5. 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.

Substantial Shareholders' Interests in Securities

So far as is known to any Director or chief executive of the Company, as at 30 June 2017, the interests and short positions of substantial shareholders and other persons, other than the Directors or chief executives of the Company, in the Shares and the underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

| Name | Capacity/Nature of interest | Interests in ordinary Shares (Note 1) | Number of underlying shares held under equity derivatives | Total | Percentage of the Company's issued share capital as at 30 June 2017 (Note 2) |
|------------------|--|--|---|-------------|---|
| Harvest Talent | Beneficial owner | 532,500,000 (L) | — | 532,500,000 | 54.34% |
| Mrs. Hon | Interest of spouse (Note 3) | 532,500,000 (L) | 4,900,000 | 537,400,000 | 54.84% |
| Dynasty Fortune | Beneficial owner (Note 4) | 90,000,000 (L) | — | 90,000,000 | 9.18% |
| DF Tourism | Nominee for another person (Note 4) | 90,000,000 (L) | — | 90,000,000 | 9.18% |
| Fu An | Beneficial owner (Note 5) | 60,000,000 (L) | — | 60,000,000 | 6.12% |
| Wealth Promise | Nominee for another person (Note 5) | 60,000,000 (L) | — | 60,000,000 | 6.12% |
| Mr. Li Chao Wang | Interest of a controlled corporation (Note 6) | 97,500,000 (L) | — | 97,500,000 | 9.95% |
| Ms. Song Min | Interest of spouse (Note 7) | 97,500,000 (L) | — | 97,500,000 | 9.95% |

Notes:

1. The letter “L” denotes the person’s long position in the Shares.
2. The percentage of the Company’s issued share capital is based on the 980,000,000 Shares issued as at 30 June 2017.
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. These Shares are registered in the name of Wealth Promise as the nominee of Fu An. Wealth Promise is wholly-owned by Fu An.
6. 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.
7. 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 above, as at 30 June 2017, the Company had not been notified by any person (other than Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Code of Conduct Regarding Directors’ Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the Period.

Competing Interests

None of the Directors or controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) has any interest in a business which competed or might compete with the business of the Group or has any other conflicts of interest with the Group during the six months ended 30 June 2017.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company (not being a contract of service with any Director or any person engaged in the full-time employment of the Company) was entered into or was subsisting during the six months ended 30 June 2017.

Corporate Governance Practices

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

During the six months ended 30 June 2017, the Company has complied with the code provisions of the CG Code as may be applicable save for the deviations mentioned below.

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

2. Code provision A.6.7 of the CG Code stipulates that the independent non-executive Directors should attend general meetings and develop a balanced understanding of the views of Shareholders. Prof. Wang Dawu was unable to attend the annual general meeting of the Company held on 19 May 2017 as he had other business engagement.

Share Option Scheme

The Company conditionally adopted the Share Option Scheme which became unconditional upon Listing for a period of 10 years from 9 December 2016.

On 5 April 2017, the Company granted Options to 18 eligible persons under the Share Option Scheme to subscribe for an aggregate of 51,940,000 Shares. Among the Options granted, Options exercisable into 29,890,000 Shares were granted to the Directors, chief executive and/or substantial shareholder of the Company, details of which are as follows:

| Grantees | Date of grant | Exercise price per share HK\$ | Exercise period | Number of Options | | | | |
|---------------------------|---------------|-------------------------------|---------------------------------------|------------------------------|---------------------------|-----------------------------|------------------------------------|----------------------------|
| | | | | balance as at 1 January 2017 | granted during the Period | exercised during the Period | cancelled/lapsed during the Period | balance as at 30 June 2017 |
| Employees | | | | | | | | |
| Mr. Hon | 5 April 2017 | 0.62 | Subject to the vesting schedule below | – | 4,900,000 | – | – | 4,900,000 |
| Mr. Huang Zhanxiong | 5 April 2017 | 0.62 | Subject to the vesting schedule below | – | 4,900,000 | – | – | 4,900,000 |
| Ms. Zhen Yaman | 5 April 2017 | 0.62 | Subject to the vesting schedule below | – | 2,450,000 | – | – | 2,450,000 |
| Mr. Hon Ka Fung | 5 April 2017 | 0.62 | Subject to the vesting schedule below | – | 2,450,000 | – | – | 2,450,000 |
| Mr. Hui Chin Tong Godfrey | 5 April 2017 | 0.62 | Subject to the vesting schedule below | – | 7,840,000 | – | – | 7,840,000 |
| Mr. Wu Sai Him | 5 April 2017 | 0.62 | Subject to the vesting schedule below | – | 2,450,000 | – | – | 2,450,000 |
| Mr. Chiu Chi Wing | 5 April 2017 | 0.62 | Subject to the vesting schedule below | – | 2,450,000 | – | – | 2,450,000 |
| Prof. Wang Dawu | 5 April 2017 | 0.62 | Subject to the vesting schedule below | – | 2,450,000 | – | – | 2,450,000 |
| | | | | | 29,890,000 | | | 29,890,000 |

| Grantees | Date of grant | Exercise price per share HK\$ | Exercise period | Number of Options | | | | |
|------------------------|---------------|-------------------------------|---------------------------------------|------------------------------|---------------------------|-----------------------------|------------------------------------|----------------------------|
| | | | | balance as at 1 January 2017 | granted during the Period | exercised during the Period | cancelled/lapsed during the Period | balance as at 30 June 2017 |
| Employees in aggregate | 5 April 2017 | 0.62 | Subject to the vesting schedule below | – | 22,050,000 | – | – | 22,050,000 |
| Total | | | | – | 51,940,000 | – | – | 51,940,000 |

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

Exercise Period Number of underlying Shares subject to the Options:

| | |
|------------------------------|--|
| 5 April 2018 to 4 April 2025 | 25% of the total number of Shares fall to be issued on exercise of the Options |
| 5 April 2019 to 4 April 2025 | 25% of the total number of Shares fall to be issued on exercise of the Options |
| 5 April 2020 to 4 April 2025 | 25% of the total number of Shares fall to be issued on exercise of the Options |
| 5 April 2021 to 4 April 2025 | 25% of the total number of Shares fall to be issued on exercise of the Options |

Notes:

1. The closing price per Share as quoted on the Stock Exchange on the day immediately before the date of grant was HK\$0.60.
2. The fair value of Options estimated at the date of grant using the binomial option pricing model was HK\$15.1 million (equivalent to HK\$0.29 each).

3. The significant inputs into the model were closing share price of HK\$0.62 at the grant date, exercise price shown above, volatility of 45%, dividend yield of 0%, an expected option life of 8 years, annual risk-free interest rate of 1.43% and an exercise multiple of 2.8. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices of other listed companies with similar business to the Company. The total expenses recognised in the unaudited condensed consolidated statement of comprehensive income for the six months ended 30 June 2017 amounted to RMB1.7 million.
4. The variables and assumptions used in computing the fair value of the share options are based on Directors' best estimate. Change in variables and assumptions may result in changes in fair value of the Options.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's securities during the six months ended 30 June 2017.

Change of Compliance Adviser

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

Interest of Compliance Adviser

Zhaobangji International Capital Limited ("Zhaobangji") has confirmed to the Company that as at 30 June 2017, except for the compliance adviser agreement entered into between the Company and Zhaobangji dated 9 March 2017, Zhaobangji and its respective directors, employees and close associates did not have any interest in relation to the Company or any members of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

Audit Committee

The audit committee has reviewed this report and the Group's unaudited consolidated financial results for the six months ended 30 June 2017, and is of the opinion that the preparation of such results complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

Disclosure Under Rule 17.50A(1) of the GEM Listing Rules

Save for the below updates, the Directors are not aware of other change in the Directors' information required to be disclosed under Rule 17.50A(1) of the GEM Listing Rules for the six months ended 30 June 2017:

Mr. Hon Ka Fung was re-designated as an executive Director with effect from 5 April 2017 and entered into a service contract with the Company in respect of his new role with no fixed term but such contract is determinable by the Company within one year without payment of compensation, other than statutory compensation. Mr. Hon Ka Fung will receive a director's fee of HK\$180,000 and salaries of RMB134,700 (equivalent to approximately HK\$151,000) per annum and such other allowance, remuneration and discretionary bonus as may be determined by the Board with reference to the performance of the Company, his duties and responsibilities, his time devoted to the business of the Company and prevailing market conditions.

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

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| “associate(s)” | has the meaning as ascribed thereto under the GEM Listing Rules |
| “Board” | the board of Directors |
| “CG Code” | Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules |

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| “close associate(s)” | has the meaning ascribed thereto under the GEM Listing Rules |
| “Company” | Gudou Holdings Limited (古兜控股有限公司), a company incorporated as an exempted company with limited liability in the Cayman Islands |
| “DF Tourism” | Dynasty Fortune Tourism Property Investments Limited (朝富旅遊產業投資有限公司), a company incorporated in the British Virgin Islands and is wholly-owned by Dynasty Fortune |
| “Director(s)” | the director(s) of the Company |
| “Dynasty Fortune” | Dynasty Fortune Capital Limited (朝富資本有限公司), a company incorporated in Hong Kong with limited liability, which is beneficially and wholly-owned by Mr. Hui Chin Tong Godfrey, a non-executive Director |
| “Fu An” | Fu An International Investments Limited (富安國際投資有限公司), a company incorporated in Hong Kong, which is beneficially owned as to 74.21% by Mr. Li Chao Wang, 15.79% by Ms. Yu Yi Fang and 10.00% by Mr. Dong Yi Ping, all of whom are independent third parties |
| “GEM” | the Growth Enterprise Market of the Stock Exchange |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM, as amended, supplemented and/or otherwise modified from time to time as the context may require |

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| “Grand Luck” | Grand Luck Ventures Limited (泰瑞創投有限公司), a company incorporated in the British Virgin Islands, which is beneficially and wholly-owned by Mr. Li Chao Wang, an independent third party |
| “Group” | the Company and its subsidiaries |
| “Gudou Hot Spring Resort” | Gudou Hot Spring Resort (古兜溫泉綜合度假村), the hot spring resort located at Jiangmen City, Guangdong Province, the PRC and operated by the Group |
| “Harvest Talent” | Harvest Talent Investments Limited, a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. Hon and is one of the controlling shareholders of the Company |
| “Heart of Spring Apartments” | Heart of Spring Apartments (泉心養生公寓), a tourism property project under development by the Group in Gudou Hot Spring Resort |
| “HK\$” or “HK dollar(s)” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong Stock Exchange” or “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Joyful Apartments” | Joyful Apartments (樂活城公寓), a completed tourism property project in Gudou Hot Spring Resort |

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| “Joyful Hotel” | Joyful Hotel(樂活城酒店), a new themed hotel complex which commenced operation in early 2017 |
| “Listing” | the listing of the Shares on GEM on 9 December 2016 |
| “Mountain Seaview Vacation Residence” | Mountain Seaview Vacation Residence(山海度假公館), a tourism property project under development by the Group in Gudou Hot Spring Resort |
| “Mr. Hon” | Mr. Hon Chi Ming, founder, chairman, chief executive officer, an executive Director and a controlling shareholder of the Company |
| “Mrs. Hon” | Ms. Li Wai Ling, the spouse of Mr. Hon and the mother of Mr. Hon Ka Fung |
| “occupancy rate” | Total Occupied Room Nights of a hotel during a period divided by the Total Available Room Nights |
| “Option(s)” | share options granted on 5 April 2017 pursuant to the Share Option Scheme |
| “Period” | the six months ended 30 June 2017 |
| “Placing” | the placing of the Shares by the Company in connection with the Listing particulars of which are set out in the Prospectus |
| “PRC” | the People’s Republic of China, save that, for the purpose of this report and unless the context otherwise requires, references in this report do not include Hong Kong, Macau and Taiwan |

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| “Prospectus” | the prospectus of the Company dated 30 November 2016 issued in connection with the Listing |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Shares |
| “Share Option Scheme” | share option scheme conditionally approved and adopted by the Company on 18 November 2016 |
| “sq.m.” | square metre |
| “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 |
| “Wealth Promise” | Wealth Promise Holdings Limited (富諾控股有限公司), a company incorporated in the British Virgin Islands and is wholly-owned by Fu An |

“%”

per cent

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

Hong Kong, 8 August 2017

As at the date of this report, the executive Directors are Mr. Hon Chi Ming, Mr. Huang Zhanxiong, Ms. Zhen Yaman and Mr. Hon Ka Fung, the non-executive Director is Mr. Hui Chin Tong Godfrey, and the independent non-executive Directors are Mr. Wu Sai Him, Mr. Chiu Chi Wing and Prof. Wang Dawu.