



# 古兜控股有限公司

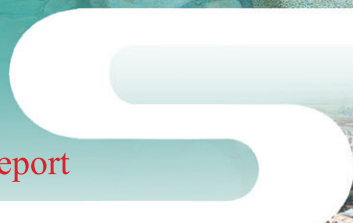
Gudou Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 8308



**2017**  
Third Quarterly Report



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

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

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

*Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this report, 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 report.*

*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 in this report misleading.*

## Highlights

- For the nine months ended 30 September 2017, revenue of the Group was approximately RMB93.5 million, representing a decrease of approximately 4.5% as compared to the corresponding period in 2016.
- For the nine months ended 30 September 2017, gross profit of the Group decreased by approximately 37.5% to approximately RMB16.6 million as compared to the corresponding period of last year.
- Net loss for the nine months ended 30 September 2017 amounted to approximately RMB28.2 million while the Group recorded net loss of approximately RMB38.5 million for the nine months ended 30 September 2016.
- Basic loss per share for the nine months ended 30 September 2017 was approximately RMB2.9 cents, and basic loss per share for the nine months ended 30 September 2016 was approximately RMB5.2 cents.
- The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2017.

### Third Quarterly Results

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

### Unaudited Consolidated Statement of Comprehensive Income

For the three months and nine months ended 30 September 2017

	Note	Three months ended 30 September		Nine months ended 30 September	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
<b>Revenue</b>	3	<b>19,263</b>	32,023	<b>93,527</b>	97,890
Cost of sales		<u>(22,106)</u>	<u>(23,367)</u>	<u>(76,893)</u>	<u>(71,280)</u>
<b>Gross profit/(loss)</b>		<b>(2,843)</b>	8,656	<b>16,634</b>	26,610
Other income		<b>815</b>	625	<b>1,195</b>	804
Fair value gains on investment properties		<b>8,900</b>	6,320	<b>24,070</b>	15,960
Selling expenses		<b>(4,979)</b>	(4,785)	<b>(15,370)</b>	(15,534)
Administrative expenses		<b>(12,463)</b>	(9,155)	<b>(33,522)</b>	(32,703)
<b>Profit/(loss) from operations</b>		<b>(10,570)</b>	1,661	<b>(6,993)</b>	(4,863)
Finance costs		<b>(3,515)</b>	(10,493)	<b>(13,605)</b>	(30,397)
<b>Loss before tax</b>		<b>(14,085)</b>	(8,832)	<b>(20,598)</b>	(35,260)
Income tax expenses	4	<b>(2,227)</b>	(2,453)	<b>(7,640)</b>	(3,258)
<b>Loss for the periods</b>		<b>(16,312)</b>	(11,285)	<b>(28,238)</b>	(38,518)
<b>Other comprehensive income/ (loss) for the periods, net of tax</b>					
<i>Items that may be reclassified to profit or loss:</i>					
Currency translation differences		<b>94</b>	(1,089)	<b>889</b>	(5,622)
<b>Total comprehensive loss for the periods</b>		<b>(16,218)</b>	(12,374)	<b>(27,349)</b>	(44,140)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
<b>Loss for the periods attributable to:</b>					
Owners of the Company		<u>(16,312)</u>	<u>(11,285)</u>	<u>(28,238)</u>	<u>(38,518)</u>
<b>Total comprehensive loss for the periods attributable to:</b>					
Owners of the Company		<u>(16,218)</u>	<u>(12,374)</u>	<u>(27,349)</u>	<u>(44,140)</u>
<b>Loss per share attributable to owners of the Company for the periods</b>					
Basic and diluted (RMB cents)	6	<u>(1.7)</u>	<u>(1.5)</u>	<u>(2.9)</u>	<u>(5.2)</u>

## Unaudited Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2017

	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
<b>As at 1 January 2017</b> (Audited)	8,669	99,249	(4,657)	(277)	–	69,528	176,761	349,273
<b>Comprehensive loss</b>								
Loss for the period	–	–	–	–	–	–	(28,238)	(28,238)
<b>Other comprehensive income</b>								
Currency translation differences	–	–	889	–	–	–	–	889
<b>Total comprehensive income/(loss) for the period</b>	–	–	889	–	–	–	(28,238)	(27,349)
Share-based payment	–	–	–	–	3,420	–	–	3,420
<b>As at 30 September 2017</b> (Unaudited)	<u>8,669</u>	<u>99,249</u>	<u>(3,768)</u>	<u>(277)</u>	<u>3,420</u>	<u>69,528</u>	<u>148,523</u>	<u>325,344</u>
<b>As at 1 January 2016</b> (Audited)	301	–	10,091	(277)	–	(58,659)	223,408	174,864
<b>Comprehensive loss</b>								
Loss for the period	–	–	–	–	–	–	(38,518)	(38,518)
<b>Other comprehensive loss</b>								
Currency translation differences	–	–	(5,622)	–	–	–	–	(5,622)
<b>Total comprehensive loss for the period</b>	–	–	(5,622)	–	–	–	(38,518)	(44,140)
<b>As at 30 September 2016</b> (Unaudited)	<u>301</u>	<u>–</u>	<u>4,469</u>	<u>(277)</u>	<u>–</u>	<u>(58,659)</u>	<u>184,890</u>	<u>130,724</u>

## Notes to the Unaudited Consolidated Financial Statements

For the nine months ended 30 September 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 consolidated 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 consolidated financial statements of the Group for the Period have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

The preparation of the unaudited consolidated 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 consolidated financial statements for the Period 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 September		Nine months ended 30 September	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Property sales	—	8,789	<b>18,797</b>	21,220
Room revenue	<b>7,759</b>	11,610	<b>37,525</b>	40,589
Admission income	<b>5,139</b>	4,764	<b>14,446</b>	13,903
Catering income	<b>4,678</b>	5,219	<b>16,563</b>	16,696
Rental income	<b>303</b>	165	<b>1,052</b>	948
Massage service income	<b>424</b>	394	<b>1,849</b>	1,356
Conference fee income	<b>363</b>	377	<b>1,144</b>	1,140
Other service income	<b>597</b>	705	<b>2,151</b>	2,038
	<b>19,263</b>	<b>32,023</b>	<b>93,527</b>	<b>97,890</b>



#### 4 Income tax expenses

For the nine months ended 30 September 2017, no provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong (nine months ended 30 September 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 September		Nine months ended 30 September	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Current tax</b>				
Hong Kong profits tax	—	—	—	—
PRC enterprise income tax	(1)	(5)	(4)	(8)
Land appreciation tax	—	(769)	(1,618)	(1,883)
	<u>(1)</u>	<u>(774)</u>	<u>(1,622)</u>	<u>(1,891)</u>
Deferred tax	(2,226)	(1,679)	(6,018)	(1,367)
	<u>(2,227)</u>	<u>(2,453)</u>	<u>(7,640)</u>	<u>(3,258)</u>

## 5 Dividend

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

## 6 Loss per share

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 September 2017 (Unaudited)		Nine months ended 30 September 2017 (Unaudited)	
	2016 (Unaudited)	2016 (Unaudited)	2016 (Unaudited)	2016 (Unaudited)
Loss attributable to owners of the Company (RMB'000)	(16,312)	(11,285)	(28,238)	(38,518)
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 losses per share (RMB cents)	<u>(1.7)</u>	<u>(1.5)</u>	<u>(2.9)</u>	<u>(5.2)</u>

### Note:

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

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

## 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 nine months ended 30 September 2017, revenue of the Group was approximately RMB93.5 million, representing a decrease of 4.5% as compared to the corresponding period in 2016 (nine months ended 30 September 2016: approximately RMB97.9 million). Loss attributable to owners of the Company for the nine months ended 30 September 2017 amounted to approximately RMB28.2 million (nine months ended 30 September 2016: approximately RMB38.5 million).

### *Hot Spring Resort and Hotel Operations*

The Group's hot spring resort and hotel operations business in the third quarter of 2017 remained stagnant due to the hot weather. The Group's turnover derived from hot spring resort and hotel operations decreased slightly by approximately 2.5% to approximately RMB74.7 million when compared to the corresponding period of previous year. The room revenue generated from the Group's themed hotel complexes decreased by approximately 7.5% for the nine months ended 30 September 2017 compared to that for the corresponding period in 2016. The occupancy rate of its themed hotel complexes decreased from approximately 44.1% for the nine months ended 30 September 2016 to approximately 37.8% for the nine months ended 30 September 2017. We believe that the decrease in occupancy rate was mainly due to opening of Joyful Hotel in early 2017 which led to an increase in Total Available Room Nights. The average room rate of the Group's hotel complexes also decreased from approximately RMB285.4 for the nine months ended 30 September 2016 to approximately RMB234.3 for the nine months ended 30 September 2017, primarily attributable to customers' preference on newly-opened hotels with lower average room rates due to promotion activities of the Group.

### ***Tourism Property Development***

In addition to hot spring resort and hotel operations business, the Group continued with its sale of tourism property during the Period. The Group continued the sale and delivery of units of Mountain Seaview Vacation Apartments and Joyful Apartments during the Period. For the nine months ended 30 September 2017, the Group's revenue derived from tourism property development business was approximately RMB18.8 million, representing a decrease of approximately 11.4% compared to RMB21.2 million for the nine months ended 30 September 2016 as the gross floor area sold and delivered decreased from approximately 3,473.6 sq. m. for the nine months ended 30 September 2016 to approximately 2,161.8 sq. m. for the nine months ended 30 September 2017. However, the average selling price per sq. m. increased from approximately RMB6,109.0 per sq. m. for the nine months ended 30 September 2016 to approximately RMB8,695.0 per sq. m. for the nine months ended 30 September 2017, representing an increase of approximately 42.3%.

The Group commenced construction for the Heart of Spring Apartments. It is expected that the Heart of Spring Apartments will commence pre-sale in the fourth quarter of 2017 and the delivery of pre-sold Mountain Seaview Vacation Residence is expected to be commenced in the fourth 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 turnover of approximately RMB93.5 million (corresponding period in 2016: approximately RMB97.9 million), representing a decrease of approximately 4.5% when compared to the corresponding period in 2016. The decrease in turnover was primarily attributable to the decrease in revenue generated from the Group's tourism property development business in the third quarter of 2017 as most units of Joyful Apartments have been sold and delivered by the first half of 2017 but the delivery of the presold Mountain Seaview Vacation Residence is expected to be commenced in the fourth quarter of 2017. The Group's revenue generated from hot spring resort and hotel operations decreased slightly by approximately 2.5% to RMB74.7 million for the nine months ended 30 September 2017, primarily attributable to decrease in average room rate during the Period.

**Cost of Sales**

The Group's cost of sales for the Period was approximately RMB76.9 million, representing an increase of approximately 7.9% from approximately RMB71.3 million in respect of the nine months ended 30 September 2016. Such increase was primarily due to 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 offset by decrease in cost of sales of the Group's tourism property developments, which was mainly as a result of a decrease in the gross floor area sold and delivered during the Period.

**Gross Profit and Gross Profit Margin**

The Group's gross profit amounted to approximately RMB16.6 million for the Period, representing a decrease of approximately RMB10.0 million or 37.5% from approximately RMB26.6 million for the same period of 2016, which was mainly due to decrease in revenue and increase in costs of sales for the reasons stated above. The Group's gross profit margin for the Period decreased by approximately 9.4% to approximately 17.8% as compared to 27.2% for the same period of 2016. While the average profit margin for tourism property development remained stable, such decrease in the Group's gross profit margin for the Period was primarily due to the lower average profit margin for hot spring resort and hotel operations.

**Loss before tax**

The Group's loss before tax amounted to approximately RMB20.6 million for the Period, representing a decrease of approximately RMB14.7 million or 41.6% from approximately RMB35.3 million for the same period of 2016, primarily reflecting lower level of finance costs being recognised in the Period as the Group repaid its interest-bearing Shareholders' loans, the Group's puttable options lapsed in December 2016 and the increased level of fair value gains on investment properties, offset by the decrease in gross profits.

### ***Income Tax Expenses***

The Group's income tax expenses for the Period increased by approximately 134.5%, or RMB4.3 million to approximately RMB7.6 million as compared to approximately RMB3.3 million for the same period of 2016. Such increase in the Group's income tax expenses was attributable to 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 net loss for the Period decreased by approximately RMB10.3 million, or approximately 26.7% to approximately RMB28.2 million for the nine months ended 30 September 2017 as compared to a net loss of approximately RMB38.5 million for the same period of 2016, which was primarily due to the Group's lower finance costs and higher fair value gains on investment properties and offset by lower level of gross profits during the Period.

### **Business Prospect Prospect**

It is expected that the Group's performance will improve in the fourth quarter of 2017 as a result of cooler weather. In relation to tourism property development, it is expected that the construction of Heart of Spring Apartments will complete in the fourth quarter and the Group will launch pre-sale of such tourism properties by the end of 2017. Also, the delivery of the pre-sold Mountain Seaview Vacation Residence is expected to commence in the fourth quarter of 2017.

The Group will continue to operate Gudou Hot Spring Resort and expects higher level of revenue in the fourth quarter of 2017 as the winter season is ordinarily more attractive for hot spring patrons than other seasons in the year. The Group will continue to organise promotional events to enhance its "Gudou" brand and increase sales.

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

As at 30 September 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 September 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%
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 September 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 nine months ended 30 September 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 September 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 September 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 September 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 September 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.

### **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 conflict of interest with the Group during the nine months ended 30 September 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 of the Company or any person engaged in the full-time employment of the Company) was entered into or was subsisting during the nine months ended 30 September 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 nine months ended 30 September 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 on 18 November 2016 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 its 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 September 2017
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
Mr. Wang Dawu	5 April 2017	0.62	Subject to the vesting schedule below	–	2,450,000	–	–	2,450,000
					<b>29,890,000</b>			<b>29,890,000</b>

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 September 2017
Employees								
Employees in aggregate	5 April 2017	0.62	Subject to the vesting schedule below	-	22,050,000	-	-	22,050,000
<b>Total</b>				<b>-</b>	<b>51,940,000</b>	<b>-</b>	<b>-</b>	<b>51,940,000</b>

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 consolidated statement of comprehensive income for the nine months ended 30 September 2017 amounted to RMB 3.4 million.
4. The variables and assumptions used in computing the fair value of the 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 nine months ended 30 September 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 ("Zhaobangji") 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 has confirmed to the Company that as at 30 September 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 of the Company has reviewed this report and the Group's unaudited consolidated financial results for the nine months ended 30 September 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.

## Definitions

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

“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
“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
“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 Apartment”	Heart of Spring Apartments (泉心養生公寓), a tourism property project under development by our Group in the 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
“Listing”	the listing of the Shares on GEM on 9 December 2016
“Mountain Seaview Vacation Apartments”	Mountain Seaview Vacation Apartments (山海度假公寓), a completed tourism property project in Gudou Hot Spring Resort
“Mountain Seaview Vacation Residence”	Mountain Seaview Vacation Residence (山海度假公館), a tourism property project under development by the Group in Gudou Hot Spring Resort
“Mr. Hon”	Mr. Hon Chi Ming, founder, chairman, chief executive officer, an executive Directors 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 option(s) granted on 5 April 2017 pursuant to the Share Option Scheme

“Period”	the nine months ended 30 September 2017
“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
“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”	the 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, 10 November 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.*