

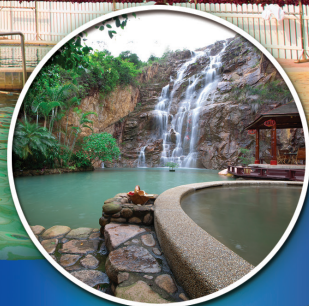


古兜控股有限公司

Gudou Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8308



Interim Report
2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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

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

Highlights

- For the six months ended 30 June 2018, revenue of the Group was approximately RMB65.3 million, representing a decrease of 12.1% compared to the corresponding period in 2017.
- For the six months ended 30 June 2018, gross profit of the Group decreased by 22.2% to approximately RMB15.2 million as compared to RMB19.5 million in the corresponding period of last year.
- Net loss for the six months ended 30 June 2018 amounted to approximately RMB8.5 million, while the Group recorded a loss of approximately RMB11.9 million for the six months ended 30 June 2017.
- Basic loss per share for the six months ended 30 June 2018 was RMB0.9 cents, and basic loss per share for the six months ended 30 June 2017 was RMB1.2 cents.
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018. During the six months ended 30 June 2017, 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 2018 together with the comparative unaudited figures for the corresponding periods in 2017, as follows:

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	Note	Three months ended 30 June		Six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue	3	23,870	21,700	65,271	74,264
Cost of sales		(23,267)	(23,423)	(50,116)	(54,787)
Gross profit/(loss)		603	(1,723)	15,155	19,477
Other income	4	123	136	198	371
Fair value gains on investment properties		13,090	9,060	19,330	15,170
Selling expenses		(4,171)	(4,192)	(7,788)	(10,391)
Administrative expenses		(11,304)	(11,633)	(22,864)	(21,050)
Profit/(loss) from operations		(1,659)	(8,352)	4,031	3,577
Finance costs		(4,411)	(5,065)	(7,671)	(10,090)
Loss before tax		(6,070)	(13,417)	(3,640)	(6,513)
Income tax expenses	6	(3,274)	(2,415)	(4,835)	(5,413)
Loss for the periods		(9,344)	(15,832)	(8,475)	(11,926)
Other comprehensive income/(loss) for the periods, net of tax					
<i>Items that may be reclassified to profit or loss:</i>					
Currency translation differences		(524)	588	(16)	795
Total comprehensive loss for the periods		(9,868)	(15,244)	(8,491)	(11,131)
		2018	2017	2018	2017
		RMB cents	RMB cents	RMB cents	RMB cents
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss per share					
Basic and diluted loss per share	8	(1.0)	(1.6)	(0.9)	(1.2)

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Note	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	225,295	235,932
Prepaid land lease payments		7,183	7,346
Investment properties		627,450	608,120
Deferred tax assets		1,216	1,216
		<u>861,144</u>	<u>852,614</u>
Current assets			
Properties held for sale		73,037	70,276
Inventories		3,544	3,405
Accounts receivable	10	41,643	53,188
Prepaid land lease payments		326	326
Prepayments, deposits and other receivables		68,375	55,193
Restricted bank deposits		23,272	13,010
Bank and cash balances		44,367	24,970
		<u>254,564</u>	<u>220,368</u>
TOTAL ASSETS		<u><u>1,115,708</u></u>	<u><u>1,072,982</u></u>

		As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
	Note		
Current liabilities			
Accounts payable	11	62,135	86,401
Proceeds received from pre-sale of properties		39,157	250
Accruals and other payables		77,412	52,842
Borrowings	12	101,999	80,348
Current tax liabilities		31,804	46,434
		<u>312,507</u>	<u>266,275</u>
Non-current liabilities			
Borrowings	12	228,437	230,512
Deferred tax liabilities		164,570	159,738
Deferred income		8,708	9,000
		<u>401,715</u>	<u>399,250</u>
TOTAL LIABILITIES		<u><u>714,222</u></u>	<u><u>665,525</u></u>
Capital and reserves			
Share capital		8,669	8,669
Reserves		392,817	398,788
TOTAL EQUITY		<u><u>401,486</u></u>	<u><u>407,457</u></u>
TOTAL LIABILITIES AND EQUITY		<u><u>1,115,708</u></u>	<u><u>1,072,982</u></u>

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Share capital RMB'000	Share Premium RMB'000	Foreign currency translation reserve RMB'000	Share- based payment reserve RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
As at 1 January 2018 (Audited)	8,669	99,249	(3,899)	5,004	(277)	69,528	229,183	407,457
Comprehensive loss								
Loss for the period	-	-	-	-	-	-	(8,475)	(8,475)
Other								
comprehensive loss								
Currency translation differences	-	-	(16)	-	-	-	-	(16)
Total comprehensive loss for the period	-	-	(16)	-	-	-	(8,475)	(8,491)
Transaction with owners in their capacity as owners								
Share-based payment	-	-	-	2,520	-	-	-	2,520
Total transactions with owners in their capacity as owners	-	-	-	2,520	-	-	-	2,520
As at 30 June 2018 (Unaudited)	8,669	99,249	(3,915)	7,524	(277)	69,528	220,708	401,486

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

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	20,455	25,543
Net cash (used in)/generated from investing activities	(11,414)	6,930
Net cash generated from/(used in) financing activities	10,246	(57,999)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	19,287	(25,526)
Effect of foreign exchange rate changes	110	471
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	24,970	66,926
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	44,367	41,871
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	44,367	41,871

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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 are 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	
	2018 <i>RMB'000</i> (Unaudited)	2017 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)	2017 <i>RMB'000</i> (Unaudited)
Property sales	—	1,718	—	18,797
Room revenue	5,888	10,249	21,545	29,766
Admission income	7,664	3,458	18,092	9,307
Catering income	4,953	4,628	13,876	11,885
Rental income	307	413	618	749
Massage service income	362	480	1,129	1,425
Conference fee income	813	274	1,695	781
Consultancy service income	3,449	—	6,897	—
Other service income	434	480	1,419	1,554
	<u>23,870</u>	<u>21,700</u>	<u>65,271</u>	<u>74,264</u>

4 Other income

	Three months ended 30 June		Six months ended 30 June	
	2018 <i>RMB'000</i> (Unaudited)	2017 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)	2017 <i>RMB'000</i> (Unaudited)
Interest income	73	102	148	346
Forfeited properties sales deposits	50	34	50	34
Loss on disposal of property, plant and equipment, net	—	—	—	(9)
	<u>123</u>	<u>136</u>	<u>198</u>	<u>371</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
Hotels and resort operation	— Operation of hotels and resort in the PRC

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

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

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

	Hotels and resort operation RMB'000 (Unaudited)	Property development RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
For the six months ended 30 June 2018			
Segment revenue	<u>65,271</u>	<u>—</u>	<u>65,271</u>
Segment profit/(loss)	11,695	(2,898)	8,797
Fair value gains on investment properties for undetermined use			11,380
Finance costs			(7,671)
Unallocated corporate expenses			<u>(16,146)</u>
Loss before tax			(3,640)
Income tax expenses			<u>(4,835)</u>
Loss for the period			<u>(8,475)</u>
	Hotels and resort operation RMB'000 (Unaudited)	Property development RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
As at 30 June 2018			
ASSETS			
Segment assets	<u>493,515</u>	<u>173,838</u>	667,353
Unallocated assets			<u>448,355</u>
Consolidated total assets			<u>1,115,708</u>
LIABILITIES			
Segment liabilities	<u>63,226</u>	<u>124,035</u>	187,261
Unallocated liabilities			<u>526,961</u>
Consolidated total liabilities			<u>714,222</u>

	Hotels 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>

	Hotels and resort operation RMB'000 (Audited)	Property development RMB'000 (Audited)	Total RMB'000 (Audited)
As at 31 December 2017			
ASSETS			
Segment assets	<u>490,022</u>	<u>170,153</u>	660,175
Unallocated assets			<u>412,807</u>
Consolidated total assets			<u>1,072,982</u>
LIABILITIES			
Segment liabilities	<u>49,049</u>	<u>99,444</u>	148,493
Unallocated liabilities			<u>517,032</u>
Consolidated total liabilities			<u>665,525</u>

(ii) Geographical information:

All the revenue and non-current assets are based in the PRC for the six months ended 30 June 2018 (six months ended 30 June 2017: Same).

(iii) Revenue from major customers:

The revenue from the Group's largest customer amounted to RMB5.1 million or 7.8% (six months ended 30 June 2017: RMB5.1 million or 6.9%) of the Group's total turnover for the six months ended 30 June 2018.

6 Income tax expenses

For the six months ended 30 June 2018, no provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong (six months ended 30 June 2017: 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	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax				
Hong Kong profits tax	—	—	—	—
PRC enterprise income tax	1	3	2	3
Land appreciation tax	—	148	—	1,618
	<u>1</u>	<u>151</u>	<u>2</u>	<u>1,621</u>
Deferred tax	<u>3,273</u>	<u>2,264</u>	<u>4,833</u>	<u>3,792</u>
	<u>3,274</u>	<u>2,415</u>	<u>4,835</u>	<u>5,413</u>

7 Dividend

No dividend was paid or declared by the Company during the six months ended 30 June 2018, nor has any dividend been proposed since the end of the Period (six months ended 30 June 2017: 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 2018 (Unaudited)		Six months ended 30 June 2018 (Unaudited)	
	2017 (Unaudited)		2017 (Unaudited)	
Loss attributable to owners of the Company (RMB'000)	(9,344)	(15,832)	(8,475)	(11,926)
Weighted average number of ordinary shares in issue ('000)	<u>980,000</u>	<u>980,000</u>	<u>980,000</u>	<u>980,000</u>
Basic losses per share (RMB cents)	<u>(1.0)</u>	<u>(1.6)</u>	<u>(0.9)</u>	<u>(1.2)</u>

Note:

For the six months ended 30 June 2018 and 2017, the diluted loss per share were equal to the basic loss per share because the Company was in loss position.

9 Property, plant and equipment

RMB'000

Cost

As at 31 December 2017 (Audited)	402,997
Additions	1,300
Exchange differences	24

As at 30 June 2018 (Unaudited)	404,321
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Accumulated depreciation

As at 31 December 2017 (Audited)	167,065
Charge for the Period	11,938
Exchange differences	23

As at 30 June 2018 (Unaudited)	179,026
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Carrying amount

As at 30 June 2018 (Unaudited)	225,295
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As at 31 December 2017 (Audited)	235,932
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10 Accounts receivable

The aging analysis of accounts receivable, based on the invoice date for travel agencies and corporate customers, or scheduled repayment dates for property unit purchasers is as follows:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Up to 30 days	2,004	38,578
31 to 60 days	589	1,120
61 to 90 days	637	379
91 to 180 days	517	414
181 to 365 days	25,237	111
1 to 2 years	12,659	12,586
	41,643	53,188

11 Accounts payable

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

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Up to 90 days	29,749	65,390
91 to 180 days	5,880	4,311
181 to 365 days	17,052	4,305
1 to 2 years	8,672	11,684
Over 2 years	782	711
	<u>62,135</u>	<u>86,401</u>

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

12 Borrowings

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Bank overdraft	—	855
Bank loans	330,436	310,005
	<u>330,436</u>	<u>310,860</u>

The borrowings are repayable as follows:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Within one year	101,999	80,348
Between one and two years	80,230	56,172
Between two and five years	89,415	99,776
Over five years	58,792	74,564
	330,436	310,860
Less: Amount due for settlement within 12 months (shown under current liabilities)	(101,999)	(80,348)
Amount due for settlement after 12 months	228,437	230,512

13 Capital commitments

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

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Construction in progress	6,004	2,499
Properties held for sale	3,015	2,645
	9,019	5,144

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 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Within one year	8,434	6,554
In the second to fifth years inclusive	11,671	11,657
After five years	5,426	5,640
	25,531	23,851

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 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Within one year	407	832
In the second to fifth years inclusive	102	120
	509	952

Operating lease receivables represent stall rental receivable. Leases are negotiated for an average term of 1 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 Chi Ming.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 30 June 2018.

(a) Name and relationship with related party

Name of related party	Relationship
Mrs. Hon	Spouse of executive Director

(b) Transactions with related party

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

	Six months ended	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salary of Mrs. Hon	66	66

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

	Six months ended	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, bonus and allowances	2,005	1,960
Pension costs		
— defined contribution plans	85	80
Share-based payment	1,757	1,010
	3,847	3,050

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 2018. 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 2018
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	During the Period, the Group recognised revenue arising from provision of consultancy services engaged in the second half of 2017 in relation to strategic planning in the early stage of project development to various leisure hotels and resorts in Guangdong Province, Sichuan Province and Qinghai Province. In addition, during the Period, the Group entered into a new consultancy service agreement with a third party regarding provision of consultancy services in relation to strategic planning in the early stage of project development to a leisure hotel and resort in Guangdong Province. Such consultancy services contributed revenue of approximately RMB6.9 million to the Group in the Period.
(ii) Provide management services to other hot spring resort owners	

Business Objectives

Actual Business Progress up to 30 June 2018

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 in a timely manner while maintaining an effective control over costs.

In December 2017, Heart of Spring Apartments passed all the necessary development inspection and acceptance, and was granted pre-sale permit. The Group commenced pre-sale of Heart of Spring Apartments since December 2017. As at 30 June 2018, 130 residential units and 1 commercial unit of Heart of Spring Apartments have been pre-sold. The Group will continue to pre-sell properties at Heart of Spring Apartments in the rest of 2018 and expects properties to be delivered to its customers in the fourth quarter of 2018.

Business Objectives

Actual Business Progress up to 30 June 2018

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

The Group has implemented strict quality control standards and closely monitored the product or service quality, and the workmanship of its contractors throughout the property development process in relation to 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:

- Chinese new year celebrations in February and March 2018
- Crab festival from April to June 2018
- Water parties from April to June 2018
- Tuen Ng Festival from May to June 2018
- World Cup Seasons from June to July 2018

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 2018, 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\$44.4 million from the net proceeds raised from the Placing towards the Group's construction and development for three property development projects; (ii) approximately HK\$1.6 million towards enhancing Gudou Hot Spring Resort and its existing facilities; and (iii) approximately HK\$5.3 million as the Group's working capital since Listing.

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 2018, revenue of the Group was approximately RMB65.3 million, representing a decrease of 12.1% compared to the corresponding periods in 2017 (six months ended 30 June 2017: RMB74.3 million). Loss for the six months ended 30 June 2018 amounted to RMB8.5 million (loss for the six months ended 30 June 2017: RMB11.9 million).

Hot Spring Resort and Hotel Operations

The Group's hot spring resort and hotel operations business grew steadily in the first half of 2018 compared with the corresponding period in 2017. The Group's turnover derived from hot spring resort and hotel operations increased by approximately 17.7% to approximately RMB65.3 million when compared to the corresponding period of previous year. During the Period, notwithstanding that the Room Revenue generated from the Group's five themed hotel complexes decreased by approximately 27.6% for the six months ended 30 June 2018 compared to that for 2017, such decrease in room revenue was offset by the increase in admission fees which was attributable to increase in admission ticket prices and increase in number of admissions due to holding of more themed events in the Gudou Hot Spring Resort.

In addition, during the Period, the Group recognised revenue arising from provision of consultancy services engaged in the second half of 2017 in relation to strategic planning in the early stage of project development to various leisure hotels and resorts in Guangdong Province, Sichuan Province and Qinghai Province. In addition, during the Period, the Group entered into a new consultancy service agreement with a third party regarding provision of consultancy services in relation to strategic planning in the early stage of project development to a leisure hotel and resort in Guangdong Province. Such consultancy services contributed revenue of approximately RMB6.9 million to the Group in the Period. The Group also recorded an increase in revenue generated from catering by approximately 16.8% and conference room services by 117.0%.

The Room Revenue generated from the themed hotel complexes decreased by approximately 27.6% in the Period compared to that for 2017. The Total Occupied Room Nights decrease by approximately 19.2% during the Period and the Occupancy Rate of its themed hotel complexes decreased from approximately 40.7% for the six months ended 30 June 2017 to approximately 34.3% for the corresponding period in 2018. The average room rate of the Group's themed hotel complexes also decreased from approximately RMB275.0 for the six months ended 30 June 2017 to approximately RMB246.4 for the six months ended 30 June 2018, primarily attributable to promotion activities of the Group.

Tourism Property Development

During the Period, the Group did not record any revenue from sale of tourism property as compared to approximately RMB18.8 million for the six months ended 30 June 2017 as most units of Mountain Seaview Vacation Residence were delivered by the fourth quarter of 2017.

In December 2017, Heart of Spring Apartments passed all the necessary development inspection and acceptance, and was granted pre-sale permit. The Group commenced pre-sale of Heart of Spring Apartments since December 2017. As at 30 June 2018, 130 residential units and 1 commercial unit of Heart of Spring Apartments have been pre-sold. The Group will continue to pre-sell properties at Heart of Spring Apartments in the rest of 2018 and expects properties to be delivered to its customers in the fourth quarter of 2018.

According to the revenue recognition policy, the Group will recognise revenue from property sales when the construction is completed and properties are delivered to its customers. If the sale of Heart of Spring Apartments proceeds in accordance with its development schedule, the Group expects that the delivery of Heart of Spring Apartments in the fourth quarter of 2018 will have a positive effect on the full year results of the Group for 2018.

Financial review

Revenue

For the Period, the Group recorded turnover of approximately RMB65.3 million (corresponding period in 2017: approximately RMB74.3 million), representing a decrease of approximately 12.1% when compared with the previous year.

The decrease in turnover was primarily attributable to the absence of revenue generated from the Group's tourism property development business during the Period (corresponding period in 2017: approximately RMB18.8 million). The Group's revenue generated from hot spring resort and hotel operations increased by approximately 17.7% to approximately RMB65.3 million, primarily attributable to increase in admission fees and catering income and revenue arising from provision of consultancy services by the Group, partially offset by decrease in Room Revenue generated from the Group's themed hotel complexes attributable to decrease in Total Occupied Room Nights and average room rate of the Group's themed hotel complexes during the Period.

Cost of Sales

The Group's cost of sales for the Period was approximately RMB50.1 million, representing a decrease of approximately 8.5% from approximately RMB54.8 million in respect of the six months ended 30 June 2017.

Such decrease was primarily due to absence of costs of sales from the Group's tourism property developments as the Group did not conduct any sale of tourism property during the Period, partially offset by mild increase in costs of sales of the Group's hot spring resort and hotel operations. The increase in costs of sales of the Group's hot spring resort and hotel operations was primarily attributable to increase in staff costs, increase in rental expenses and increase in depreciation of property, plant and equipment, partially offset by decrease in energy expenses.

Gross Profit and Gross Profit Margin

The Group's gross profit amounted to RMB15.2 million for the Period, representing a decrease of approximately RMB4.3 million or 22.2% from approximately RMB19.5 million for the same period of last year, which was mainly due to absence of revenue generated from the Group's tourism property development business.

The Group's gross profit margin for the Period decreased by approximately 3.0% to approximately 23.2% as compared to approximately 26.2% for the same period of last year. Such decrease in the Group's gross profit margin for the Period was primarily due to absence of revenue from the Group's tourism property development business which in general generated higher gross profit margin. However, the gross profit margin of hot spring resort and hotel operations increased significantly in the Period, from approximately 15.1% for the six months ended 30 June 2017 to approximately 23.2% for the six months ended 30 June 2018, primarily attributable to the income derived from consultancy services, which was commenced by the Group in the second half of 2017 in relation to strategic planning in the early stage of project development to various leisure hotels and resorts, recognised during the Period.

Loss before Tax

The Group's loss before tax amounted to RMB3.6 million for the Period, representing a decrease of approximately 44.1% from approximately RMB6.5 million for the same period of last year, which was attributable to higher fair value gains on investment properties, and decrease in selling expenses and finance costs, partially offset by decrease in revenue.

Income Tax Expenses

The Group's income tax expenses for the Period decreased by approximately 10.7% or RMB0.6 million to approximately RMB4.8 million as compared to approximately RMB5.4 million for the same period of last year. Such decrease in the Group's income tax expenses was attributable to the absence of land appreciation tax as the Group did not conduct any sale of tourism properties during the Period, partially offset by the increase in deferred tax expenses due to higher fair value gains on investment properties during the Period.

Net Loss

The Group's loss for the Period decreased by approximately RMB3.5 million, or 28.9% to approximately RMB8.5 million for the six months ended 30 June 2018 as compared to approximately RMB11.9 million for the same period of last year, which was primarily due to increase in fair value gains on investment properties and lower selling expenses and finance costs during the Period, partially offset by the decrease in revenue.

Liquidity and Financial Resources and Capital Structure

During the Period, the Group's operations were funded by a combination of internally generated cash flows and borrowings.

As at 30 June 2018, the Group had bank and cash balances of approximately RMB44.4 million which were denominated in RMB and HK dollars.

The Group's outstanding capital commitments as at 30 June 2018 amounted to approximately RMB9.0 million (31 December 2017: approximately RMB5.1 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 internal funds and/or bank borrowings.

As at 30 June 2018, the Group had an outstanding bank loan of RMB330.4 million which were denominated in RMB and HK dollars and among which RMB57.5 million were fixed rate borrowings. The Group repaid bank loans of approximately RMB21.6 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 2017 and 30 June 2018, which was calculated by dividing its total borrowings by its total equity as at those dates, was approximately 0.8 and 0.8 respectively. The gearing ratio as at 30 June 2018 was stable primarily attributable to insignificant changes in total borrowings and total equity.

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 denominate in RMB, followed by HK dollars.

Charges on Group Assets

As at 30 June 2018, an amount of approximately RMB523.4 million (31 December 2017: approximately RMB416.5 million) was pledged to banks to secure bank facilities granted to the Group.

Significant Investments/Material Acquisitions and Disposals

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

Contingent Liabilities

As at 30 June 2018, 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 2018, the Group had a workforce of 677 full-time employees (including the Directors) of whom approximately 98.5% were employed in the PRC and approximately 1.5% in Hong Kong. The Group's staff costs for the six months ended 30 June 2017 and 2018 amounted to approximately RMB27.9 million and RMB29.8 million, respectively. The Group hires part-time employees from time to time to cope with additional staffing requirements for our hot spring resort and hotel operations during peak seasons. Our employees in Hong Kong are required to participate in the Mandatory Provident Fund scheme under which we are 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 our PRC subsidiary, the Group makes contributions to various government sponsored employee benefit funds, including housing provident fund, basic pension insurance fund, basic medical insurance, unemployment insurance, maternity insurance and work related injury insurance funds in accordance with applicable PRC laws and regulations.

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

The Group generally recruit its employees from the open market. The Group formulate its recruitment policy based on market conditions, business demands and expansion plans. The Group offers different remuneration package to the 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 2018 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 2018. During the six months ended 30 June 2017, no interim dividend was paid or declared.

Business Prospect

The Group’s hot spring resort and hotel operations business grew steadily in the first half of 2018 compared with the corresponding period in 2017. The Group will continue to diversify the streams of revenue by providing consultancy services to potential leisure hotels and resorts and enhancing income from admission and providing conference room services.

The Group will also continue to operate Gudou Hot Spring Resort and organise different promotional events, including but not limited to those to be held at the Group’s waterpark, with an aim to increasing both Room Revenue and admission and catering income in the summer. However, the Group does not expect the revenue to increase until the end of third quarter of 2018 as the autumn and winter seasons are ordinarily more attractive for hot spring patrons than other seasons in the year due to cooler weather.

Regarding tourism property development, pre-sale of properties at Heart of Spring Apartments remains the focus in the rest of 2018. If the sale of Heart of Spring Apartments proceeds in accordance with its development schedule, the Group expects that the delivery of Heart of Spring Apartments in the fourth quarter of 2018 will have a positive effect on the full year results of the Group for 2018.

Interests And Short Positions Of Directors And Chief Executive In The Shares, Underlying Shares And Debentures

As at 30 June 2018, 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 2018 (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 June 2018.
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 2018 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 2018, the interests and short positions of substantial shareholders and other persons, other than the Directors or chief executives of the Company, in the Shares and the underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity/Nature of interest	Interests in ordinary shares (Note 1)	Number of underlying shares held under equity derivatives	Total	Percentage of the Company's issued share capital as at 30 June 2018 (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 2018.
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 2018, 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) had any interest in a business which competed or might compete with the business of the Group or had any other conflict of interest with the Group during the six months ended 30 June 2018.

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 six months ended 30 June 2018.

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 2018, 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.

- 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 18 May 2018 due to health reason.

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 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/substantial shareholder/its associates, 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 2018	granted during the Period	exercised during the Period	cancelled/lapsed during the Period	balance as at 30 June 2018
<i>Directors</i>								
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

Grantees	Date of grant	Exercise price	Exercise					
		per share	period					
		HK\$		Number of Options				
				balance as at 1 January 2018	granted during the Period	exercised during the Period	cancelled/ lapsed during the Period	balance as at 30 June 2018
Directors								
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
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

Note:

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 six months ended 30 June 2018 amounted to RMB2.5 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 2018.

Change Of Compliance Adviser

As disclosed in the Company's announcement dated 31 May 2018, the compliance adviser agreement with Well Link International Capital Limited (the "Former Compliance Adviser") has been terminated with effect from 31 May 2018 due to its internal resources allocation arrangement. Zhongtai International Capital Limited ("Zhongtai International") 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 31 May 2018.

Interest Of Compliance Advisor

Zhongtai International has confirmed to the Company that as at 30 June 2018, except for the compliance adviser agreement entered into between the Company and Zhongtai International dated 31 May 2018, Zhongtai International 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 condensed consolidated financial results for the six months ended 30 June 2018, 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.

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”	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 our 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”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented and/or otherwise modified from time to time as the context may require
“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”	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 the Gudou Hot Spring Resort
“HK\$” or “HK dollar(s)” and “cents”	Hong Kong dollars and cents respectively, 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
“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 completed tourism property project in the 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 2018
“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
“Prospectus”	the prospectus of the Company dated 30 November 2016 issued in connection with the Listing
“RMB”	Renminbi, the lawful currency of the PRC
“Room Revenue”	revenue generated from room rates (including related service charges) of the themed hotel complexes in the Gudou Hot Spring Resort
“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 our 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

“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 August 2018

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.