

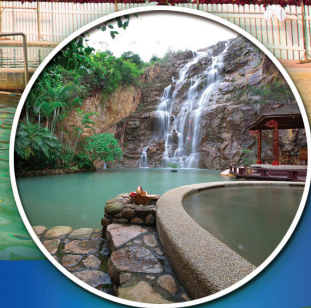


古兜控股有限公司

Gudou Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8308



Third Quarterly 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 in this report misleading.

Highlights

- For the nine months ended 30 September 2018, revenue of the Group was approximately RMB97.3 million, representing an increase of approximately 4.0% as compared to the corresponding period in 2017.
- For the nine months ended 30 September 2018, gross profit of the Group increased by approximately 43.1% to approximately RMB23.8 million as compared to the corresponding period of last year.
- Net loss for the nine months ended 30 September 2018 amounted to approximately RMB13.6 million while the Group recorded a net loss of approximately RMB28.2 million for the nine months ended 30 September 2017.
- Basic loss per share for the nine months ended 30 September 2018 was approximately RMB1.4 cents, and basic loss per share for the nine months ended 30 September 2017 was approximately RMB2.9 cents.
- The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2018. For the nine months ended 30 September 2017, no interim dividend was paid or declared.

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 2018 together with the comparative unaudited figures for the corresponding periods in 2017, as follows:

Unaudited Consolidated Statement of Comprehensive Income

For the three months and nine months ended 30 September 2018

	Note	Three months ended 30 September		Nine months ended 30 September	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue	3	32,041	19,263	97,312	93,527
Cost of sales		<u>(23,394)</u>	<u>(22,106)</u>	<u>(73,510)</u>	<u>(76,893)</u>
Gross profit/(loss)		8,647	(2,843)	23,802	16,634
Other income		73	815	271	1,195
Fair value gains on investment properties		10,630	8,900	29,960	24,070
Selling expenses		(7,345)	(4,979)	(15,133)	(15,370)
Administrative expenses		(11,235)	(12,463)	(34,099)	(33,522)
Profit/(loss) from operations		770	(10,570)	4,801	(6,993)
Finance costs		<u>(3,231)</u>	<u>(3,515)</u>	<u>(10,902)</u>	<u>(13,605)</u>
Loss before tax		(2,461)	(14,085)	(6,101)	(20,598)
Income tax expenses	4	<u>(2,658)</u>	<u>(2,227)</u>	<u>(7,493)</u>	<u>(7,640)</u>
Loss for the periods		(5,119)	(16,312)	(13,594)	(28,238)
Other comprehensive income/ (loss) for the periods, net of tax					
Items that may be reclassified to profit or loss:					
Currency translation differences		<u>(562)</u>	94	<u>(577)</u>	889
Total comprehensive loss for the periods		<u>(5,681)</u>	<u>(16,218)</u>	<u>(14,171)</u>	<u>(27,349)</u>
		Three months ended 30 September		Nine months ended 30 September	
		2018 RMB cents (unaudited)	2017 RMB cents (unaudited)	2018 RMB cents (unaudited)	2017 RMB cents (unaudited)
Loss per share					
Basic and diluted loss per share	6	<u>(0.5)</u>	<u>(1.7)</u>	<u>(1.4)</u>	<u>(2.9)</u>

Unaudited Consolidated Statement of Changes in Equity

For the nine months ended 30 September 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	-	-	-	-	-	-	(13,594)	(13,594)
Other comprehensive income								
Currency translation differences	-	-	(577)	-	-	-	-	(577)
Total comprehensive loss for the period	-	-	(577)	-	-	-	(13,594)	(14,171)
Share-based payment	-	-	-	3,456	-	-	-	3,456
As at 30 September 2018 (Unaudited)	<u>8,669</u>	<u>99,249</u>	<u>(4,476)</u>	<u>8,460</u>	<u>(277)</u>	<u>69,528</u>	<u>215,589</u>	<u>396,742</u>
As at 1 January 2017 (Audited)	8,669	99,249	(4,657)	-	(277)	69,528	176,761	349,273
Comprehensive loss								
Loss for the period	-	-	-	-	-	-	(28,238)	(28,238)
Other comprehensive income								
Currency translation differences	-	-	889	-	-	-	-	889
Total comprehensive income/(loss) for the period	-	-	889	-	-	-	(28,238)	(27,349)
Share-based payment	-	-	-	3,420	-	-	-	3,420
As at 30 September 2017 (Unaudited)	<u>8,669</u>	<u>99,249</u>	<u>(3,768)</u>	<u>3,420</u>	<u>(277)</u>	<u>69,528</u>	<u>148,523</u>	<u>325,344</u>

Notes to the Unaudited Consolidated Financial Statements

For the nine months ended 30 September 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, the 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 and 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	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Property sales	—	—	—	18,797
Room revenue	9,834	7,759	31,379	37,525
Admission income	7,830	5,139	25,922	14,446
Catering income	7,878	4,678	21,754	16,563
Rental income	423	303	1,041	1,052
Massage service income	385	424	1,514	1,849
Conference fee income	1,345	363	3,040	1,144
Consultancy service income	3,625	—	10,522	—
Other service income	721	597	2,140	2,151
	<u>32,041</u>	<u>19,263</u>	<u>97,312</u>	<u>93,527</u>

4 Income tax expenses

For the nine months ended 30 September 2018, 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 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 September		Nine months ended 30 September	
	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)	(1)	(3)	(4)
Land appreciation tax	—	—	—	(1,618)
	<u>(1)</u>	<u>(1)</u>	<u>(3)</u>	<u>(1,622)</u>
Deferred tax	(2,657)	(2,226)	(7,490)	(6,018)
	<u>(2,658)</u>	<u>(2,227)</u>	<u>(7,493)</u>	<u>(7,640)</u>

5 Dividend

No dividend was paid or declared by the Company during the nine months ended 30 September 2018, nor has any dividend been proposed since the end of the Period (nine months ended 30 September 2017: Nil).

6 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 September 2018		Nine months ended 30 September 2018	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (RMB'000)	(5,119)	(16,312)	(13,594)	(28,238)
Weighted average number of ordinary shares in issue ('000)	980,000	980,000	980,000	980,000
Basic losses per share (RMB cents)	(0.5)	(1.7)	(1.4)	(2.9)

Note:

For the nine months ended 30 September 2018 and 2017, the diluted loss per share was equal to the basic loss per share because the Company was in a loss position.

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 2018, revenue of the Group was approximately RMB97.3 million, representing an increase of approximately 4.0% as compared to the corresponding period in 2017 (nine months ended 30 September 2017: approximately RMB93.5 million). Net loss for the nine months ended 30 September 2018 amounted to approximately RMB13.6 million (net loss for the nine months ended 30 September 2017: approximately RMB28.2 million).

Hot Spring Resort and Hotel Operations

The Group's hot spring resort and hotel operations business grew steadily in the first nine months of 2018 as compared with the corresponding period in 2017. The Group's turnover derived from hot spring resort and hotel operations increased by approximately 30.2% to approximately RMB97.3 million when compared to the corresponding period of previous year. Notwithstanding that the room revenue generated from the Group's five themed hotel complexes decreased by approximately 16.4% for the nine months ended 30 September 2018 as 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. The Group also 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 in the first half of 2018. Such consultancy services contributed revenue of approximately RMB10.5 million to the Group in the Period. The Group also recorded increases in revenue generated from catering by approximately 31.3% and conference room services by 165.7%.

The Total Occupied Room Nights decreased by approximately 15.0% during the Period and the occupancy rate of the Group's five themed hotel complexes decreased from approximately 37.8% for the nine months ended 30 September 2017 to approximately 36.0% for the Period. The average room rate of the Group's themed hotel complexes also slightly decreased from approximately RMB234.3 for the nine months ended 30 September 2017 to approximately RMB230.5 for the Period.

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 nine months ended 30 September 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 September 2018, 152 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 RMB97.3 million (corresponding period in 2017: approximately RMB93.5 million), representing an increase of approximately 4.0% when compared with the corresponding period in the previous year despite 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 increase in turnover was primarily attributable to the increase in the Group's revenue generated from hot spring resort and hotel operations by approximately 30.2% to approximately RMB97.3 million which was mainly due to the increase in admission fees, catering income and revenue arising from the provision of consultancy services by the Group, partially offset by a decrease in room revenue generated from the Group's themed hotel complexes attributable to a 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 RMB73.5 million, representing a decrease of approximately 4.4% from approximately RMB76.9 million in respect of the nine months ended 30 September 2017. Such decrease was primarily due to the absence of cost 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 the slight increase in cost of sales of the Group's hot spring resort and hotel operations. The increase in cost of sales of the Group's hot spring resort and hotel operations was primarily attributable to the increases in material costs, rental expenses and depreciation of property, plant and equipment, partially offset by the decrease in energy expenses.

Gross Profit and Gross Profit Margin

The Group's gross profit amounted to approximately RMB23.8 million for the Period, representing an increase of approximately RMB7.2 million or 43.1% from approximately RMB16.6 million for the same period of last year, which was mainly due to the increase in revenue generated from the Group's hot spring resort and hotel operations, partially offset by the absence of revenue generated from the Group's tourism property development business. The Group's gross profit margin for the Period increased by approximately 6.7% to approximately 24.5% as compared to approximately 17.8% for the same period of last year primarily due to the increase in gross profit margin for the hot spring resort and hotel operations from approximately 7.4% for the same period of last year to approximately 24.5% for the Period. Such increase in gross profit margin for the hot spring resort and hotel operations was 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 and was recognised during the Period.

Loss before Tax

The Group's loss before tax amounted to approximately RMB6.1 million for the Period, representing a decrease of approximately RMB14.5 million or approximately 70.4% from approximately RMB20.6 million for the same period of last year, primarily attributable to the higher fair value gains on investment properties and gross profits and lower finance costs during the Period.

Income Tax Expenses

The Group's income tax expenses for the Period decreased by approximately 1.9%, or approximately RMB0.1 million to approximately RMB7.5 million as compared to approximately RMB7.6 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 the higher fair value gains on investment properties during the Period.

Net Loss

The Group's net loss for the Period decreased by approximately RMB14.6 million, or approximately 51.9% to approximately RMB13.6 million for the nine months ended 30 September 2018 as compared to a net loss of approximately RMB28.2 million for the same period of last year, which was primarily due to the higher level of fair value gains on investment properties and gross profits and lower finance costs during the Period.

Business Prospect

The Group's hot spring resort and hotel operations business grew steadily in the first nine months of 2018. 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 continue to operate Gudou Hot Spring Resort and expect higher level of revenue in the fourth quarter of 2018 as the winter season is ordinarily more attractive for hot spring patrons than other seasons in the year, and will continue to organise promotional events to enhance the "Gudou" brand and increase sales.

In relation to 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 September 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 September 2018 (Note 2)
Mr. Hon	Interest of a controlled corporation (Note 3)	532,500,000 (L)	4,900,000	537,400,000	54.84%
	Beneficial owner (Note 4)				
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	Interest of a controlled corporation (Note 5)	90,000,000 (L)	7,840,000	97,840,000	9.98%
Godfrey	Beneficial owner (Note 4)				
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 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 nine months ended 30 September 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 September 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 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 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 September 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 September 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.

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 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 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 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 nine months ended 30 September 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.
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 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 of the Company/ 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 September 2018
Directors								
Mr. Hon	5 April 2017	0.62	Subject to the vesting schedule below	4,900,000	–	–	–	4,900,000
Mr. Huang Zhanxiong	5 April 2017	0.62	Subject to the vesting schedule below	4,900,000	–	–	–	4,900,000
Ms. Zhen Yaman	5 April 2017	0.62	Subject to the vesting schedule below	2,450,000	–	–	–	2,450,000
Mr. Hon Ka Fung	5 April 2017	0.62	Subject to the vesting schedule below	2,450,000	–	–	–	2,450,000
Mr. Hui Chin Tong Godfrey	5 April 2017	0.62	Subject to the vesting schedule below	7,840,000	–	–	–	7,840,000
Mr. Wu Sai Him	5 April 2017	0.62	Subject to the vesting schedule below	2,450,000	–	–	–	2,450,000
Mr. Chiu Chi Wing	5 April 2017	0.62	Subject to the vesting schedule below	2,450,000	–	–	–	2,450,000
Prof. Wang Dawu	5 April 2017	0.62	Subject to the vesting schedule below	2,450,000	–	–	–	2,450,000
				29,890,000	–	–	–	29,890,000
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 above 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 2018 amounted to approximately RMB3.5 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 nine months ended 30 September 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 Adviser

Zhongtai International has confirmed to the Company that as at 30 September 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 consolidated financial results for the nine months ended 30 September 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.

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”	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”	the Company and its subsidiaries
“Gudou Hot Spring Resort”	Gudou Hot Spring Resort (古兜溫泉綜合度假村), the hot spring resort located at Jiangmen City, Guangdong Province, the PRC and operated by the Group
“Harvest Talent”	Harvest Talent Investments Limited, a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. Hon and is one of the controlling shareholders of the Company
“Heart of Spring Apartments”	Heart of Spring Apartments (泉心養生公寓), a tourism property project under development by the Group in 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 tourism property project completed 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 nine months ended 30 September 2018
“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 Special Administrative Region of the PRC 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”	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, 9 November 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.