



古兜控股有限公司

Gudou Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8308



2019 Third Quarterly Report

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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

Highlights

- For the nine months ended 30 September 2019, revenue of the Group was approximately RMB108.9 million, representing an increase of 11.9% as compared to the corresponding period in 2018.
- For the nine months ended 30 September 2019, gross profit of the Group increased by 39.0% to approximately RMB33.1 million as compared to the corresponding period of last year.
- Net loss for the nine months ended 30 September 2019 amounted to approximately RMB7.5 million while the Group recorded a loss of approximately RMB13.6 million for the nine months ended 30 September 2018.
- Basic loss per share for the nine months ended 30 September 2019 was RMB0.8 cents, and basic loss per share for the nine months ended 30 September 2018 was RMB1.4 cents.
- The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2019. For the nine months ended 30 September 2018, 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 2019 together with the comparative unaudited figures for the respective corresponding periods in 2018, as follows:

Unaudited Consolidated Statement of Comprehensive Income

For the three months and the nine months ended 30 September 2019

	Note	Three months ended 30 September		Nine months ended 30 September	
		2019	2018	2019	2018
		RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	3	52,629	32,041	108,940	97,312
Cost of sales		(25,371)	(23,394)	(75,854)	(73,510)
Gross profit		27,258	8,647	33,086	23,802
Other income		145	73	207	271
Fair value gains on investment properties		10,390	10,630	25,330	29,960
Net impairment loss/Write-back of impairment of trade receivables		(291)	–	157	–
Share of loss of an associate		(314)	–	(385)	–
Selling expenses		(7,161)	(7,345)	(13,083)	(15,133)
Administrative expenses		(11,634)	(11,235)	(33,220)	(34,099)
Profit from operations		18,393	770	12,092	4,801
Finance costs		(4,620)	(3,231)	(12,882)	(10,902)
Profit/(Loss) before tax		13,773	(2,461)	(790)	(6,101)
Income tax expenses	4	(2,751)	(2,658)	(6,746)	(7,493)
Profit/(Loss) for the periods		11,022	(5,119)	(7,536)	(13,594)
Other comprehensive income/(loss) for the periods, net of tax					
<i>Items that may be reclassified to profit or loss:</i>					
Currency translation differences		35	(562)	109	(577)
<i>Item that will not be reclassified to profit or loss:</i>					
Fair value loss on financial assets at fair value through other comprehensive income		(91)	–	(227)	–
Total comprehensive profit/(loss) for the periods		10,966	(5,681)	(7,654)	(14,171)
Earnings/(Loss) per share					
		2019	2018	2019	2018
		RMB cents (unaudited)	RMB cents (unaudited)	RMB cents (unaudited)	RMB cents (unaudited)
Basic	6	1.1	(0.5)	(0.8)	(1.4)
Diluted	6	1.1	(0.5)	(0.8)	(1.4)

Unaudited Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2019

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Fair value reserve <i>RMB'000</i>	Foreign currency translation reserve <i>RMB'000</i>	Share- based payment reserve <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Other reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total equity <i>RMB'000</i>
As at 1 January 2019									
(Audited)	8,669	99,249	(2,124)	(4,731)	9,349	(277)	69,528	242,773	422,436
Change in accounting policy	-	-	-	-	-	-	-	(136)	(136)
Restated total equity at 1 January 2019 (Unaudited)	<u>8,669</u>	<u>99,249</u>	<u>(2,124)</u>	<u>(4,731)</u>	<u>9,349</u>	<u>(277)</u>	<u>69,528</u>	<u>242,637</u>	<u>422,300</u>
Comprehensive loss									
Loss for the period	-	-	-	-	-	-	-	(7,536)	(7,536)
Other comprehensive loss									
Currency translation differences	-	-	-	109	-	-	-	-	109
Fair value loss on financial assets at fair value through other comprehensive income	-	-	(227)	-	-	-	-	-	(227)
Total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>(227)</u>	<u>109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,536)</u>	<u>(7,654)</u>
Transaction with Owners									
Share-based payment	-	-	-	-	1,849	-	-	-	1,849
Total transactions with owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,849</u>
As at 30 September 2019									
(Unaudited)	<u>8,669</u>	<u>99,249</u>	<u>(2,351)</u>	<u>(4,622)</u>	<u>11,198</u>	<u>(277)</u>	<u>69,528</u>	<u>235,101</u>	<u>416,495</u>

	Share capital RMB'000	Share premium RMB'000	Fair value reserve 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
Change in accounting policy	-	-	-	-	-	-	-	(1,980)	(1,980)
Restated total equity at 1 January 2018 (Audited)	8,669	99,249	-	(3,899)	5,004	(277)	69,528	227,203	405,477
Comprehensive loss									
Loss for the period	-	-	-	-	-	-	-	(13,594)	(13,594)
Other comprehensive loss									
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>-</u>	<u>(4,476)</u>	<u>8,460</u>	<u>(277)</u>	<u>69,528</u>	<u>213,609</u>	<u>394,762</u>

Notes to the Unaudited Consolidated Financial Statements

For the nine months ended 30 September 2019

1 General information

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

The Company is an investment holding company. The principal activities of its subsidiaries are hot spring resort 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 of the Group for the Relevant Period 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 and the Hong Kong Companies Ordinance.

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 Relevant Period have not been audited by the Company's independent auditor, but have been reviewed by the Company's audit committee.

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. Except for HKFRS 16, the adoption of other new/revised HKFRSs did not result in material impact on the Group's consolidated financial statements for current and prior periods:

Effect of HKFRS 16, Leases

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position.

Each lease payment is allocated between the principal repayment of lease liability and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

HKFRS 16 has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits as at 1 January 2019. Comparative information has not been restated.

Upon the initial application of HKFRS 16, the Group measured the rights-of-use assets as if HKFRS 16 had always been applied by using the incremental borrowing rate at initial application date and the opening balances of lease liabilities and the corresponding right-of-use assets has been adjusted as at 1 January 2019.

The following table summarises the impact of transition to HKFRS 16 on the opening balance of retained profits:

	Impact of adopting HKFRS16 RMB'000
Retained profits	
Recognition of interest of lease liabilities and depreciation of right-of-use assets	136
	<hr/> <hr/>
Impact at 1 January 2019	136
	<hr/> <hr/>

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statements from 2019 onwards.

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	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Property sales	3,158	—	17,304	—
Room revenue	21,854	9,834	39,786	31,379
Admission income	12,350	7,830	20,667	25,922
Catering income	6,895	7,878	16,605	21,754
Rental income	528	423	1,683	1,041
Massage service income	825	385	1,739	1,514
Conference fee income	449	1,345	1,474	3,040
Consultancy service income	5,556	3,625	7,246	10,522
Other service income	1,014	721	2,436	2,140
	<u>52,629</u>	<u>32,041</u>	<u>108,940</u>	<u>97,312</u>

4 Income tax expenses

For the nine months ended 30 September 2019, 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 2018: Nil). The Group's subsidiaries in the PRC are subject to the PRC enterprise income tax at a rate of 25% (nine months ended 30 September 2018: 25%) on estimated assessable profits.

	Three months ended 30 September		Nine months ended 30 September	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Current tax				
PRC enterprise income tax	(1)	(1)	(4)	(3)
Land appreciation tax	(252)	—	(985)	—
	(253)	(1)	(989)	(3)
Deferred tax	(2,498)	(2,657)	(5,757)	(7,490)
	<u>(2,751)</u>	<u>(2,658)</u>	<u>(6,746)</u>	<u>(7,493)</u>

5 Dividend

No dividend was paid or declared by the Company during the nine months ended 30 September 2019, nor has any dividend been proposed since the end of the Period (nine months ended 30 September 2018: Nil).

6 Earnings/(Loss) per share

Basic

Basic earnings/loss per share is calculated by dividing the profit/loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Period.

	Three months ended 30 September		Nine months ended 30 September	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Profit/(Loss) attributable to owners of the Company (RMB'000)	11,022	(5,119)	(7,536)	(13,594)
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 earnings/ (loss) per share (RMB cents)	<u>1.1</u>	<u>(0.5)</u>	<u>(0.8)</u>	<u>(1.4)</u>

Diluted

Diluted earnings/loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. The calculation for share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue ('000)	980,000	980,000	980,000	980,000
Adjustment for Share options (number of shares) ('000)	<u>16,147</u>	<u>30,517</u>	<u>21,320</u>	<u>33,035</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>996,147</u>	<u>1,010,517</u>	<u>1,001,320</u>	<u>1,013,035</u>

For the nine months ended 30 September 2018 and 2019, and for the three months ended 30 September 2018, diluted loss per share is the same as the basic loss per share because the Company was in loss position. For the three months ended 30 September 2019, the conversion of potential ordinary shares in relation to the share options have a dilutive effect to the basic earnings per share.

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 2019, revenue of the Group was approximately RMB108.9 million, representing an increase of approximately 11.9% as compared to the corresponding period in 2018 (nine months ended 30 September 2018: approximately RMB97.3 million). Net loss for the nine months ended 30 September 2019 amounted to approximately RMB7.5 million (net loss for the nine months ended 30 September 2018: approximately RMB13.6 million).

Hot Spring Resort and Hotel Operations

The Group's hot spring resort and hotel operations business experienced a slight decrease in the first nine months of 2019 as compared with the corresponding period in 2018. The Group's turnover derived from hot spring resort and hotel operations decreased by approximately 5.8% to approximately RMB91.6 million when compared to the corresponding period of previous year. Notwithstanding that the room revenue for the nine months ended 30 September 2019 increased as compared to that for the nine months ended 30 September 2018, such increase in room revenue was offset by the decrease in admission fees and catering incomes. The Group also recorded decrease in revenue generated from conference room services by approximately 51.5%.

In respect of revenue arising from the provision of consultancy services, the Group recorded a drop of approximately 31.1% from approximately RMB10.5 million for the nine months ended 30 September 2018 to approximately RMB7.2 million for the Period, mainly attributable to certain consultancy services having been completed in late 2018.

The Occupancy Rate of the Group's six themed hotel complexes decreased from approximately 36.0% for the nine months ended 30 September 2018 to approximately 33.3% for the Period. The average room rate of the Group's themed hotel complexes increased from approximately RMB230.5 for the nine months ended 30 September 2018 to approximately RMB310.3 for the Period.

Tourism Property Development

During the Period, the Group recorded revenue of approximately RMB17.3 million from sale of tourism property (nine months ended 30 September 2018: Nil). During the Period, the Group sold and delivered 49 units of Heart of Spring Apartments, representing 13.5% of the total saleable GFA of Heart of Spring Apartments which contributed revenue of approximately RMB15.6 million and sold and delivered three units of Mountain Seaview Vacation Residence, representing 0.5% of the total saleable GFA of Mountain Seaview Vacation Residence which contributed revenue of approximately RMB1.0 million; and the Group also sold and delivered three units of Joyful Apartments, representing 1.4% of the total saleable GFA of Joyful Apartments which contributed revenue of approximately RMB0.7 million, whereas the Group did not conduct any sale of tourism property in the corresponding period in 2018. The Company expects to sell and deliver further units of Heart of Spring Apartments in the rest of 2019.

Financial review

Revenue

For the Period, the Group recorded turnover of approximately RMB108.9 million (corresponding period in 2018: approximately RMB97.3 million), representing an increase of approximately 11.9% when compared with the corresponding period in the previous year. The increase in turnover was primarily attributable to the increase in the Group's revenue generated from tourism property development business. The Group recorded turnover of approximately RMB17.3 million from tourism property development (corresponding period in 2018: Nil) which was attributable to the sale and delivery of Heart of Spring Apartments, Mountain Seaview Vacation Residence and Joyful Apartments.

The Group's revenue generated from hot spring resort and hotel operations reduced by approximately 5.8% to approximately RMB91.6 million for the Period, primarily attributable to decrease in admission income, catering income and consultancy service income.

Cost of Sales

The Group's cost of sales for the Period was approximately RMB75.9 million, representing an increase of approximately 3.2% from approximately RMB73.5 million for the nine months ended 30 September 2018. Such increase was primarily due to cost of sales from the Group's tourism property developments, partially offset by the decrease in cost of sales of the Group's hot spring resort and hotel operations. The decrease in cost of sales of the Group's hot spring resort and hotel operations was primarily attributable to the absence of the amortisation of prepayments for renovation for Mountain Seaview Hotel during the Period as compared to the corresponding period in 2018.

Gross Profit and Gross Profit Margin

The Group's gross profit amounted to approximately RMB33.1 million for the Period, representing an increase of approximately RMB9.3 million or 39.0% from approximately RMB23.8 million for the same period of last year, which was mainly due to the increase in revenue generated from the Group's tourism property development business. The Group's gross profit margin for the Period increased by approximately 5.9% to approximately 30.4% as compared to approximately 24.5% for the same period of last year. Such increase in the Group's gross profit margin for the Period was primarily a result of the higher profit margin for hot spring resort and hotel operations.

Loss before Tax

The Group's loss before tax amounted to approximately RMB0.8 million for the Period, representing an decrease of approximately RMB5.3 million or approximately 87.1% from approximately RMB6.1 million for the same period of last year, primarily attributable to an increase in the level of revenue, an increase in gross profit margin and a decrease in selling expenses, partially offset by the lower level of fair value gains on investment properties and higher finance costs during the Period.

Income Tax Expenses

The Group's income tax expenses for the Period decreased by approximately 10.0%, or approximately RMB0.8 million to approximately RMB6.7 million as compared to approximately RMB7.5 million for the same period of last year. Such decrease in the Group's income tax expenses was attributable to the decrease in deferred tax expenses due to the lower fair value gains on investment properties partially offset by an increase in land appreciation tax during the Period.

Net Loss

The Group's net loss for the Period decreased by approximately RMB6.1 million or approximately 44.6% to approximately RMB7.5 million for the nine months ended 30 September 2019 as compared to the net loss of approximately RMB13.6 million for the same period of last year, which was primarily due to an increase in the level of revenue, an increase in gross profit margin and a decrease in selling expenses, partially offset by the lower level of fair value gains on investment properties and higher finance costs during the Period.

Business Prospect

The Group's hot spring resort and hotel operations business faced challenges in the first nine months of 2019 due to the warmer weather and general decline in consumer demand compared with the corresponding period in 2018. The Group will continue to diversify the streams of revenue by providing consultancy services to potential leisure hotels and resorts.

The Group will continue to operate Gudou Hot Spring Resort and expect higher level of revenue in the fourth quarter of 2019 as the winter season is ordinarily more attractive for hot spring patrons than other seasons in the year and Yuequan Huju Hotel has opened in July 2019. The Group will also continue to organise promotional events to enhance the "Gudou" brand and increase sales.

Guangdong Gudou entered into a capital increase agreement with, inter alia, the Target Company to increase the registered capital and capital reserves of it in order to grasp a good investment opportunity in the Guangdong Province and to increase the land bank for development. Details of which are set out in the announcement dated 31 May 2019.

On 17 September 2019, an ordinary resolution relating to a cooperation and development agreement entered into between Guangdong Gudou and GD Aoyuan has been passed pursuant to which they had agreed to cooperate with each other for the planning, development and operation of the Target Land in the future. Details of which is set out in the announcement dated 16 July 2019 and a circular dated 2 September 2019.

The Group's management will strive to achieve improvements in the business performance and seek investment opportunities in the interests of the Company and its shareholders as a whole in 2019.

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

As at 30 September 2019, 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	Percentage of the Company's issued share capital as at 30 September 2019 (Note 2)	
				Total	
Mr. Hon	Interest of a controlled corporation (Note 3) Beneficial owner (Note 4)	336,500,000 (L)	4,900,000	341,400,000	34.84%
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. 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:

- The letter "L" denotes the person's long position in the Shares.
- The percentage of the Company's issued share capital is based on the 980,000,000 Shares issued as at 30 September 2019.

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 336,500,000 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 2019 are set out in the section headed "Share Option Scheme".

Substantial Shareholders' Interests in Securities

So far as is known to any Director or chief executive of the Company, as at 30 September 2019, 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 2019 (Note 2)
Harvest Talent	Beneficial owner	336,500,000 (L)	–	336,500,000	34.34%
Mrs. Hon	Interest of spouse (Note 3)	336,500,000 (L)	4,900,000	341,400,000	34.84%
Phoenix Virtue	Beneficial owner (Note 4)	286,000,000 (L)	–	286,000,000	29.18%
Add Hero Holdings Limited	Interest of a controlled corporation (Note 4)	286,000,000 (L)	–	286,000,000	29.18%
China Aoyuan	Interest of a controlled corporation (Note 4)	286,000,000 (L)	–	286,000,000	29.18%
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 2019.
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. Phoenix Virtue Limited (“Phoenix Virtue”) is wholly-owned by Add Hero Holdings Limited, which in turn is wholly-owned by China Aoyuan Group Limited (“China Aoyuan”). China Aoyuan Group Limited is owned as to 51.86% by Ace Rise Profits Limited and 55.22% by Joy Pacific Group Limited (including interests held by Ace Rise Profits Limited). Ace Rise Profits Limited is owned as to 90% by Joy Pacific Group Limited, which in turn is wholly-owned by Sturgeon Limited. Sturgeon Limited is wholly-owned by Asia Square Holdings Ltd., as nominee and trustee for J. Safra Sarasin Trust Company (Singapore) Ltd. as the trustee holding such interests on trust for the beneficiaries of The Golden Jade Trust. The Golden Jade Trust is a discretionary family trust established under the laws and regulations of Singapore. Mr. Guo Ziwen and Ms. Jiang Miner are the settlors of The Golden Jade Trust.
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 2019, 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) 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 nine months ended 30 September 2019.

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 2019.

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 the Shareholders' interests.

During the nine months ended 30 September 2019, the Company had complied with the code provisions of the CG Code as might be applicable save for the deviation mentioned below.

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 resort 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.

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. 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 2019	granted during the Period	exercised during the Period	cancelled/lapsed during the Period	balance as at 30 September 2019
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. 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
				22,050,000	–	–	–	22,050,000
Consultant								
Mr. Hui Chin Tong Godfrey (Note 2)	5 April 2017	0.62	Subject to the vesting schedule below	7,840,000	–	–	–	7,840,000
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. Mr. Hui Chin Tong Godfrey resigned as a non-executive Director on 12 April 2019. Notwithstanding that, the Options granted to him under the Share Option Scheme remains effective as he was appointed as a consultant of the Company with effect from 12 April 2019.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's securities during the nine months ended 30 September 2019.

Interest of Compliance Adviser

Except for the compliance adviser agreement entered into between the Company and Zhongtai International Capital Limited ("Zhongtai International") dated 31 May 2018 which ended during the Period, 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 2019, 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
“Director(s)”	the director(s) of the Company
“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
“GD Aoyuan”	Guangdong Aoyuan Co., Ltd.* (奧園集團(廣東)有限公司), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of China Aoyuan Group Limited
“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
“GFA”	gross floor area

“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
“Guangdong Gudou”	Guangdong Gudou Travel Group Company Limited* (廣東古兜旅遊集團有限公司), a wholly foreign-owned enterprise established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“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 completed tourism property project 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
“Joyful Apartments”	Joyful Apartments (樂活城公寓), a completed tourism property project in the Gudou Hot Spring Resort
“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
“Mountain Seaview Hotel”	Mountain Seaview Hotel (山海酒店), one of the themed hotel complexes in Gudou Hot Spring Resort
“Mr. Hon”	Mr. Hon Chi Ming, founder, chairman, chief executive officer, an executive Director and a controlling shareholder of the Company
“Mrs. Hon”	Ms. Li Wai Ling, the spouse of Mr. Hon and the mother of Mr. Hon Ka Fung
“Occupancy Rate”	Total Occupied Room Nights of a hotel during a period divided by the Total Available Room Nights
“Option(s)”	share options granted on 5 April 2017 pursuant to the Share Option Scheme
“Period”	the nine months ended 30 September 2019
“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
“Target Company”	陽江市世嘉房地產開發有限公司, a company established in the PRC with limited liability and is beneficially owned by existing equity holders prior to the capital increase
“Target Land”	the five parcels of land of approximately 67,860.7 sq.m. in total located at the Gudou Hot Spring Resort and legally and beneficially owned by Guangdong Gudou
“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
“Yuequan Huju Hotel”	Yuequan Huju Hotel*(月泉湖居酒店), a new themed hotel complex which commenced operation in July 2019
“%”	per cent.

The English translation of names or any descriptions in Chinese which are marked with “*” is for identification purpose only.

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

Hong Kong, 8 November 2019

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. Ruan Yongxi, and the independent non-executive Directors are Mr. Wu Sai Him, Mr. Chiu Chi Wing and Prof. Wang Dawu.