



2020

THIRD QUARTERLY REPORT

古兜控股有限公司

Gudou Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8308

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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 2020, revenue of the Group was approximately RMB71.0 million, representing a decrease of approximately 34.9% as compared with that for the corresponding period in 2019.
- For the nine months ended 30 September 2020, gross profit of the Group decreased by approximately 27.4% from approximately RMB32.5 million for the nine months ended 30 September 2019 to approximately RMB23.6 million for the nine months ended 30 September 2020.
- Net loss for the nine months ended 30 September 2020 amounted to approximately RMB15.6 million while the Group recorded a loss of approximately RMB8.2 million for the nine months ended 30 September 2019.
- Basic loss per share for the nine months ended 30 September 2020 was RMB1.6 cents, and basic loss per share for the nine months ended 30 September 2019 was RMB0.8 cents.
- The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2020. For the nine months ended 30 September 2019, 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 2020 together with the comparative unaudited figures for the respective corresponding periods in 2019, as follows:

Unaudited Consolidated Statement of Comprehensive Income

For the three months and nine months ended 30 September 2020

	Note	Three months ended 30 September		Nine months ended 30 September	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited and restated)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited and restated)
Revenue	3	46,694	52,629	70,951	108,940
Cost of sales		(17,229)	(25,470)	(47,335)	(76,428)
Gross profit		29,465	27,159	23,616	32,512
Other income		12	145	81	207
Fair value gains on investment properties		8,160	10,390	11,600	25,330
(Provision)/Write-back of impairment of trade receivables		(45)	(291)	(1,803)	157
Share of loss of an associate		(527)	(314)	(1,177)	(385)
Selling expenses		(2,500)	(7,161)	(6,563)	(13,083)
Administrative expenses		(8,832)	(11,711)	(24,476)	(33,293)
Profit from operations		25,733	18,217	1,278	11,445
Finance costs		(4,620)	(4,602)	(14,216)	(12,869)
Profit/(Loss) before tax		21,113	13,615	(12,938)	(1,424)
Income tax expenses	4	(2,040)	(2,751)	(2,675)	(6,746)
Profit/(Loss) for the periods		19,073	10,864	(15,613)	(8,170)

Note	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	and restated)	(Unaudited)	and restated)
Other comprehensive income/(loss) for the periods, net of tax				
<i>Items that may be reclassified to profit or loss:</i>				
Currency translation differences	430	45	245	109
<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)	(502)	(227)
Total comprehensive profit/(loss) for the periods	19,503	10,818	(15,870)	(8,288)
Earnings/(Loss) per share				
	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	<i>RMB cents</i>	<i>RMB cents</i>	<i>RMB cents</i>	<i>RMB cents</i>
	(Unaudited)	and restated)	(Unaudited)	and restated)
Basic	6	1.9	1.1	(1.6)
Diluted	6	1.9	1.1	(1.6)

Unaudited Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2020

	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 2020 (Audited)	8,669	99,249	(2,728)	(4,950)	10,287	(277)	69,528	268,269	448,047
Comprehensive loss									
Loss for the period	—	—	—	—	—	—	—	(15,613)	(15,613)
Other comprehensive loss									
Currency translation differences	—	—	—	245	—	—	—	—	245
Fair value loss on financial assets at fair value through other comprehensive income	—	—	(502)	—	—	—	—	—	(502)
Disposal of financial assets at fair value through other comprehensive income	—	—	1,000	—	—	—	—	(1,000)	—
Total comprehensive loss for the period	—	—	498	245	—	—	—	(16,613)	(15,870)
Transaction with Owners									
Share-based payment	—	—	—	—	849	—	—	—	849
Total transactions with owners	—	—	—	—	849	—	—	—	849
As at 30 September 2020 (Unaudited)	<u>8,669</u>	<u>99,249</u>	<u>(2,230)</u>	<u>(4,705)</u>	<u>11,136</u>	<u>(277)</u>	<u>69,528</u>	<u>251,656</u>	<u>433,026</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 2019 (Audited)	8,669	99,249	(2,124)	(4,731)	9,349	(277)	69,528	242,773	422,436
Comprehensive loss									
Loss for the period	—	—	—	—	—	—	—	(8,170)	(8,170)
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	—	—	(227)	109	—	—	—	(8,170)	(8,288)
Transaction with Owners									
Share-based payment	—	—	—	—	1,849	—	—	—	1,849
Total transactions with owners	—	—	—	—	1,849	—	—	—	1,849
As at 30 September 2019 (Unaudited and restated)	<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>234,603</u>	<u>415,997</u>

Notes to the Unaudited Consolidated Financial Statements

For the nine months ended 30 September 2020

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 (i) the operation and management of Gudou Hot Spring Resort and provision of consultancy and/or management services; and (ii) the development and sale of tourism properties in Guangdong Province.

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

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. 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.

3 Revenue

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Property sales	—	3,158	—	17,304
Renovation income	1,412	—	2,816	—
Room revenue	12,417	21,854	22,603	39,786
Admission income	7,680	12,350	11,577	20,667
Catering income	5,865	6,895	11,821	16,605
Rental income	904	528	2,000	1,683
Massage service income	11	825	193	1,739
Conference fee income	121	449	689	1,474
Consultancy service income	17,598	5,556	17,833	7,246
Management fee income	150	—	150	—
Other service income	536	1,014	1,269	2,436
	<u>46,694</u>	<u>52,629</u>	<u>70,951</u>	<u>108,940</u>

4 Income tax expenses

For the nine months ended 30 September 2020, 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 2019: 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		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax				
PRC enterprise income tax	—	(1)	(1)	(4)
Land appreciation tax	—	(252)	—	(985)
	—	(253)	(1)	(989)
Deferred tax	(2,040)	(2,498)	(2,674)	(5,757)
	(2,040)	(2,751)	(2,675)	(6,746)

5 Dividend

No dividend was paid or declared by the Company during the nine months ended 30 September 2020, nor has any dividend been proposed since the end of the Period (nine months ended 30 September 2019: 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	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
Profit/(Loss) attributable to owners of the Company (RMB'000)	19,073	10,864	(15,613)	(8,170)
Weighted average number of ordinary shares in issue ('000)	980,000	980,000	980,000	980,000
Basic earnings/(loss) per share (RMB cents)	1.9	1.1	(1.6)	(0.8)

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 periodic 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 2020 (Unaudited)		Nine months ended 30 September 2020 (Unaudited)	
	2019 (Unaudited)	2019 (Unaudited)	2019 (Unaudited)	2019 (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>11,346</u>	<u>16,147</u>	<u>9,721</u>	<u>21,320</u>
Weighted average number of ordinary shares in issue (‘000)	<u><u>991,346</u></u>	<u><u>996,147</u></u>	<u><u>989,721</u></u>	<u><u>1,001,320</u></u>

For the nine months ended 30 September 2020, 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 2020, 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 (i) the operation and management of Gudou Hot Spring Resort and provision of consultancy and/or management services; and (ii) the development and sale of tourism properties in Guangdong Province.

For the nine months ended 30 September 2020, revenue of the Group was approximately RMB71.0 million, representing a decrease of approximately 34.9% as compared with that for the corresponding period in 2019 (nine months ended 30 September 2019: approximately RMB108.9 million). Net loss for the nine months ended 30 September 2020 amounted to approximately RMB15.6 million (net loss for the nine months ended 30 September 2019: approximately RMB8.2 million).

Hot spring resort and hotel operations and consultancy and/or management services

The revenue of the Group from the hot spring resort and hotel operations and consultancy and/or management services business decreased by approximately 25.6% to approximately RMB68.1 million in the first nine months of 2020 as compared with that for the corresponding period in 2019. Such decrease was mainly attributable to the combined effect of decreases in Room revenue, admission income, catering income, massage service income, conference fee income and partially offset by an increase in consultancy fee income. In addition, the Group recorded RMB150,000 of management fee income during the Period, which was attributable to the subsequent engagement of the Group for management services following the Group's initial provision of consultancy services to a third-party hotel in 2017.

The Occupancy Rate of the Group's six themed hotel complexes decreased from approximately 33.3% for the nine months ended 30 September 2019 to approximately 19.5% for the Period. The average room rate of the Group's six themed hotel complexes decreased from approximately RMB310.3 for the nine months ended 30 September 2019 to approximately RMB306.0 for the Period.

Tourism Property Development

During the Period, the Group did not deliver any tourism property, therefore no revenue from the property sales was recognised and recorded for the Period (nine months ended 30 September 2019: RMB17.3 million). The Group only recorded revenue of approximately RMB2.8 million from the provision of renovation services on Heart of Spring Apartments to the customers. The Company expects to continue the pre-sale of Gudou Yishui Mingting Apartments and Guanshanyue Apartments in 2020 and deliver Gudou Yishui Mingting Apartments in the fourth quarter of 2020 and Guanshanyue Apartments in the first half of 2021 in accordance with the development plan.

Financial review

Revenue

For the Period, the Group recorded turnover of approximately RMB71.0 million, representing a decrease of approximately 34.9% when compared with that of approximately RMB108.9 million for the corresponding period in 2019. The decrease in turnover was primarily attributable to the temporary suspension of the operation of Gudou Hot Spring Resort in the first quarter of 2020 in response to the precautionary policies and measures implemented by the Guangdong provincial government to deter the spread of the novel coronavirus (COVID-19). The operation had been partially resumed in March 2020. Details of the temporary suspension of the operation of Gudou Hot Spring Resort are set out in the Company's announcements dated 30 January 2020 and 6 March 2020. As at the date of this report, the operation had been resumed in full.

The Group's revenue generated from hot spring resort and hotel operations reduced by approximately RMB23.5 million or approximately 25.6% to approximately RMB68.1 million for the Period when compared to that for the corresponding period in 2019. The decrease in revenue is primarily attributable to the decrease in Room Revenue, admission income, catering income. Such decrease was offset by an increase in consultancy service income by RMB10.6 million. The increase was resulted from the commencement of two new consultancy service agreements, with an aggregate contract value of approximately RMB30 million, both of which are expected to be completed in 2020 as stipulated thereunder.

In respect of tourism property development business, the Group recorded turnover of approximately RMB2.8 million (corresponding period in 2019: RMB17.3 million) which was attributable to the provision of renovation services on Heart of Spring Apartments to the customers.

Cost of Sales

The Group's cost of sales for the Period was approximately RMB47.3 million, representing a decrease of approximately 38.1% when compared with that of approximately RMB76.4 million for the corresponding period in 2019. Such decrease was primarily due to (i) the decrease in costs of sales incurred from the Group's tourism property development business; (ii) the decrease in food and beverages costs, staff costs and energy expenses resulted from the temporary suspension of the operation of Gudou Hot Spring Resort between late January and early March 2020 and (iii) the Group's initiative in cost reduction since partial resumption of the operation of Gudou Hot Spring Resort.

Gross Profit and Gross Profit Margin

The Group's gross profit amounted to approximately RMB23.6 million for the Period, representing a decrease of approximately RMB8.9 million or 27.4% when compared with that of approximately RMB32.5 million for the corresponding period in 2019, which was mainly due to the temporary suspension of the operation of Gudou Hot Spring Resort in the first quarter of 2020. The Group's gross profit margin for the Period was approximately 33.3% while the Group recorded a gross profit margin of approximately 29.8% for the corresponding period in 2019. The increase in the Group's gross profit margin for the Period was resulted from the extent of decrease in cost of goods sold being more than the decrease in revenue.

Loss before Tax

The Group's loss before tax amounted to approximately RMB12.9 million for the Period representing an increase of approximately RMB11.5 million, as compared with that of approximately RMB1.4 million for the corresponding period in 2019. The increase in the Group's loss before tax is primarily attributable to a decrease in the level of revenue, a decrease in gross profit, and a decrease in fair value gains on investment properties partially offset by a decrease in selling expenses and administrative expenses during the Period.

Income Tax Expenses

The Group's income tax expenses for the Period decreased by approximately 60.3%, or approximately RMB4.0 million to approximately RMB2.7 million for the Period as compared to that of approximately RMB6.7 million for the corresponding period in 2019. 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 and the absence of land appreciation tax during the Period.

Net Loss

The Group's net loss for the Period increased by approximately RMB7.4 million to approximately RMB15.6 million for the Period from approximately RMB8.2 million for the corresponding period in 2019, which was in line with the Group's decreased turnover during the Period.

BUSINESS PROSPECT

In early 2020, the outbreak of COVID-19 posed unprecedented challenges to the Group's hotel and resort operations. The Group's business was adversely affected by the temporary suspension of the operation of Gudou Hot Spring Resort in response to the precautionary policies and measures implemented by the Guangdong provincial government to deter the spread of the pandemic. With the pandemic gradually brought under control in China, the economy of China had commenced to recover, unleashing a strong demand in local cultural tourism. The Chinese government policy on fostering the tourism industry and the ease of travel restriction across provinces and to tourism attractions promoted suburban tourism in China and contributed to recovery in tourism during the country's holidays, such as the Labour Day, summer holidays, Mid-Autumn Festival and the National Day. Meanwhile, the public awareness of health in China has been heightened since the pandemic outbreak and this had presented tremendous business opportunities to the Group, which firmly believes that health regimen is important to both physical and psychological well-being. In view of the market is being on its recovery path, with the effect from the stringent measures on cost and expense control imposed by the Group following the outbreak of COVID-19, the Group's net profit increased by approximately 75.6% to approximately RMB19.1 million for the three months ended 30 September 2020 from approximately RMB10.9 million for the corresponding period in 2019.

During the Period, the Group had adopted innovative strategies in sales and marketing with an aim of improving its hotel and resort operations. Specifically, the Group had staged social media campaigns to step up the promotion of its hotels and resort facilities via Xiaohongshu, a popular e-commerce and social media platform, and Douyin, the leading short-form mobile video platform. The Group had cooperated with a number of key opinion leaders with a view to projecting a youthful image of its hotels and resorts and attracting the increasingly health-conscious customers. In addition, the Group had established the "Hotel Black" membership programme exclusively for Yuequan Huju Hotel and Royal Spa Hotel to enhance customer loyalty. The Group believes that the membership programme will further enhance the reputation of these two luxury hotels and their brand values. With a view to bringing an exciting experience of discovery for the summer visitors, the Group had upgraded and transformed its Natural Spring Waterpark into "The Planet Waterpark", at which the Group successfully launched beach party in July 2020 to attract younger customers. Between June and August 2020, the Group organised the 8th "Xinhui Yamen Gudou Crab Festival* (新會崖門古兜水蟹節)". In September 2020, the Group organised the second "Xinhui Citrus Culture Festival* (新會柑香文化節)" to promote sun-dried tangerine peel, a famous local specialty of Xinhui, at Yuequan Huju Hotel. Apart from the foregoing, as at the date of this report, the operation of Gudou Hot Spring Resort had been resumed in full, the Group is seeing optimistic progress.

In its tourism property business, the Group expects to continue the pre-sale of Gudou Yishui Mingting Apartments and Guanshanyue Apartments in 2020 and deliver Gudou Yishui Mingting Apartments in the end of 2020 and Guanshanyue Apartments in the first half of 2021 according to the development plan. The construction of Yunshanjing Mansion had commenced in the second quarter of 2020 and its pre-sale was expected to start in the first half of 2021. On 30 June 2020, considering the positive outcomes of entering into the First Cooperation Agreement, Guangdong Gudou (the Group's wholly owned subsidiary) entered into the Second Cooperation Agreement with GD Aoyuan, pursuant to which Guangdong Gudou and GD Aoyuan had agreed to cooperate with each other for the planning, development and operation of Target Land B. Such agreement constitutes a major and connected transaction and it was approved by the then independent Shareholders at an extraordinary general meeting held on 9 September 2020. Besides, an associate of the Group, Yangjiang City Shijia Property Development Company Limited*(陽江市世嘉房地產開發有限公司) began to steadily pushing forward with tourism development projects in Yangjiang to extend footprint of the Group in Guangdong Province once the projects completed.

On 31 July 2020, the Company submitted a formal application to the Stock Exchange in respect of the Proposed Transfer of Listing pursuant to Chapter 9A of and Appendix 28 to the Main Board Listing Rules and the relevant provisions of the GEM Listing Rules. Details of which has been disclosed in the announcement dated 31 July 2020.

Looking ahead the traditional peak season of the Group's hot spring resort and hotel operations business in the fourth quarter, the Group will continue to organise a number of creative promotional events and activities. Those already in the pipeline includes musical concert by "Jiangmen Orchestra*(江門交響樂團)" and "Gudou Campfire Festival*(古兜熒火帳篷節)" in November 2020 and the 8th "Yamen Sweet Radish Festival*(第八屆崖門甜水蘿蔔節)" in December 2020. To better leverage its abundant conference facilities, the Group will also strive to tap the demands of corporations and groups for meetings, incentives tourism, conferencing and exhibitions in the upcoming quarter. The management will strive to improve the group's business performance and seek investment opportunities in the interests of the Company and its shareholders as a whole in the future.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2020, 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 2020 (Note 2)
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 2020.

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 2020 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 2020, 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 2020 (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 2020.
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 51.62% by Ace Rise Profits Limited and 55% 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 2020, 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 2020.

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 2020.

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 2020, 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 under the Share Option Scheme. Details of the movement of the Options granted during the Period are as follows:–

Grantees	Date of grant	Exercise price per share HK\$	Exercise period	Number of Options				
				balance as at 1 January 2020	granted during the Period	exercised during the Period	cancelled/lapsed during the Period	balance as at 30 September 2020
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	17,150,000	–	–	–	17,150,000
Total				47,040,000	–	–	–	47,040,000

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 upon exercise of the Options
5 April 2019 to 4 April 2025	25% of the total number of Shares fall to be issued upon exercise of the Options
5 April 2020 to 4 April 2025	25% of the total number of Shares fall to be issued upon exercise of the Options
5 April 2021 to 4 April 2025	25% of the total number of Shares fall to be issued upon 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 2020.

AUDIT COMMITTEE

The audit committee of the Company has reviewed this report and the Group's unaudited consolidated financial results for the nine months ended 30 September 2020, 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
“First Cooperation Agreement”	a cooperation and development agreement dated 16 July 2019 and entered into between Guangdong Gudou and GD Aoyuan in relation to the development of Target Land A, the details of which are set out in the announcements of the Company dated 16 July 2019 and 17 September 2019 and the circular of the Company dated 2 September 2019
“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
“Guanshanyue Apartments”	Guanshanyue Apartments* (觀山悅公館), also known as Gudou Phase II Apartments* (古兜二期公寓), a tourism property project under development jointly developed by Guangdong Gudou and GD Aoyuan at Gudou Hot Spring Resort under the First Cooperation Agreement
“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

“Gudou Yishui Mingting Apartments”	Gudou Yishui Mingting Apartments* (古兜依水茗亭), also known as Yunfeng Apartments* (雲峰公寓), a tourism property project under development jointly developed by Guangdong Gudou and GD Aoyuan at Gudou Hot Spring Resort under the First Cooperation Agreement
“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
“Listing”	the listing of the Shares on GEM on 9 December 2016
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“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 2020
“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
“Proposed Transfer of Listing”	the proposed transfer of listing of the Shares from GEM to the Main Board pursuant to Chapter 9A of and Appendix 28 to the Main Board Listing Rules
“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
“Second Cooperation Agreement”	a cooperation and development agreement dated 30 June 2020 and entered into between Guangdong Gudou and GD Aoyuan in relation to the development of Target Land B, the details of which are set out in the announcements of the Company dated 30 June 2020 and 9 September 2020 and the circular of the Company dated 19 August 2020
“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 Land A”	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
“Target Land B”	the three parcels of land of approximately 63,797 sq.m. in total located at 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 (For the Period, they included those rooms which were out of service during the temporary suspension of the operation of Gudou Hot Spring Resort)
“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

“Yunshanjing Mansion” Yunshanjing Mansion* (雲山境公館), also known as Gudou Phase III* (古兜三期), a tourism property project under development jointly developed by Guangdong Gudou and GD Aoyuan at Gudou Hot Spring Resort

“%” 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, 9 November 2020

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.