

GRAND PEACE GROUP HOLDINGS LIMITED

福澤集團控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code : 08108



Third Quarterly Report
2014

* For identification purposes only

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

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “**Board**”) of Grand Peace Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months and nine months ended 30 September 2014 together with the comparative figures.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months and nine months ended 30 September 2014

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Continuing operations					
Turnover	2	17,138	15,638	57,458	49,536
Cost of sales		(16,233)	(16,532)	(51,025)	(52,012)
Gross profit/(loss)		905	(894)	6,433	(2,476)
Other revenue		248	31	984	127
Other income		14	172	1,111	232
Gain on disposal of subsidiaries		–	–	–	31,273
Selling and distribution costs		(1,562)	(1,407)	(4,266)	(3,719)
Administrative expenses		(16,781)	(6,372)	(35,484)	(18,874)
Change in fair value of conversion options embedded in convertible notes		–	(262)	–	(5,851)
(Loss)/profit from operations		(17,176)	(8,732)	(31,222)	712
Finance costs		(1,161)	(3,775)	(2,814)	(11,627)
Share of results of an associate		3	–	3	–
Loss before taxation		(18,334)	(12,507)	(34,033)	(10,915)
Taxation	3	–	–	7	–
Loss for the period from continuing operations		(18,334)	(12,507)	(34,026)	(10,915)
Discontinued operation					
Loss for the period from discontinued operation		–	–	–	(1,899)
Loss for the period		(18,334)	(12,507)	(34,026)	(12,814)
Attributable to:					
Shareholders of the Company		(16,835)	(10,588)	(31,817)	(6,053)
Non-controlling interests		(1,499)	(1,919)	(2,209)	(6,761)
		(18,334)	(12,507)	(34,026)	(12,814)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three and nine months ended 30 September 2014

	Three months ended 30 September		Nine months ended 30 September	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Loss for the period	(18,334)	(12,507)	(34,026)	(12,814)
Other comprehensive income/(loss) for the period, net of tax Item that may be reclassified subsequently to profit or loss:				
Change in fair value of available-for-sale financial assets	–	–	234	–
Exchange differences on translating foreign operations				
– Exchange differences arising during the period	–	37	–	5,000
– Reclassified adjustments relating to foreign operations disposed of during the period	–	–	–	(3,770)
Total comprehensive loss for the period	(18,334)	(12,470)	(33,792)	(11,584)
Total comprehensive loss attributable to:				
Shareholders of the Company	(16,835)	(10,551)	(31,583)	(5,790)
Non-controlling interests	(1,499)	(1,919)	(2,209)	(5,794)
	(18,334)	(12,470)	(33,792)	(11,584)
	HK cents	HK cents	HK cents	HK cents
Loss per share				
From continuing and discontinued operations				
– basic and diluted	5	(5.68)	(26.89)	(10.74)
From continuing operations				
– basic and diluted	5	(5.68)	(26.89)	(10.74)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital	Share premium	Contributed surplus	Convertible notes reserve	Available-for-sale financial assets revaluation reserve	Exchange reserve	Accumulated (losses)	Discontinued operations	Subtotal	Non-controlling interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2012 and 1 January 2013	3,517	219,534	36,000	429	-	-	(171,123)	89,383	177,740	37,195	214,935
Loss for the period	-	-	-	-	-	-	(6,053)	-	(6,053)	(6,761)	(12,814)
Other comprehensive income for the period											
- Exchange differences arising during the period	-	-	-	-	-	263	-	3,770	4,033	967	5,000
- Reclassified adjustments relating to foreign operations disposed of during the period	-	-	-	-	-	-	-	(3,770)	(3,770)	-	(3,770)
Total comprehensive income/(loss) for the period	-	-	-	-	-	263	(6,053)	-	(5,790)	(5,794)	(11,584)
Disposal of subsidiaries	-	-	-	-	-	-	-	(89,383)	(89,383)	(43,523)	(132,906)
Derecognition upon modification of convertible notes	-	-	-	(472)	-	-	472	-	-	-	-
Recognition upon modification of convertible notes	-	-	-	2,228	-	-	-	-	2,228	-	2,228
Early redemption of convertible notes	-	-	-	(716)	-	-	716	-	-	-	-
Recognition of the equity component of convertible notes	-	-	-	42,006	-	-	-	-	42,006	-	42,006
Deferred taxation of convertible notes	-	-	-	(5,346)	-	-	-	-	(5,346)	-	(5,346)
Issue of shares upon conversion of convertible notes	891	33,985	-	(18,330)	-	-	-	-	16,546	-	16,546
Issue of shares	140	2,857	-	-	-	-	-	-	2,997	-	2,997
At 30 September 2013	4,548	256,376	36,000	19,799	-	263	(175,988)	-	140,998	(12,122)	128,876
At 31 December 2013 and 1 January 2014	22,741	317,275	36,000	6,798	-	3,507	(196,652)	-	189,669	(10,346)	179,323
Loss for the period	-	-	-	-	-	-	(31,817)	-	(31,817)	(2,209)	(34,026)
Other comprehensive income for the period											
Change in fair value of available-for-sale financial assets	-	-	-	-	234	-	-	-	234	-	234
Total comprehensive loss for the period	-	-	-	-	234	-	(31,817)	-	(31,583)	(2,209)	(33,792)
Early redemption of convertible notes	-	-	-	(6,798)	-	-	606	-	(6,192)	-	(6,192)
Issue of shares by placing	12,748	30,966	-	-	-	-	-	-	43,714	-	43,714
At 30 September 2014	35,489	348,241	36,000	-	234	3,507	(227,863)	-	195,608	(12,555)	183,053

Notes:

1. BASIS OF PREPARATION

The Group's unaudited third quarterly results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures requirements required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

These unaudited condensed consolidated financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities.

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the nine months ended 30 September 2014 are consistent with those adopted in the annual report of the Company for the year ended 31 December 2013.

2. TURNOVER

The Group's turnover represents the net invoiced value of funeral related products sold and funeral services provided for, and the interest income earned from loan financing business in Hong Kong after allowance for returns and trade discounts, during the period.

An analysis of the Group's turnover and other revenue is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Continuing operations				
Provision of funeral services and sales of funeral related products	17,036	15,638	57,356	49,536
Loan financing business	102	–	102	–
Discontinued operations				
Indirect retail of household products and others	–	–	–	55,340
	17,138	15,638	57,458	104,876

3. TAXATION

No provision for Hong Kong profits tax has been made as the Group has no assessable profit in Hong Kong for the nine months ended 30 September 2014 (nine months ended 30 September 2013: Nil).

No PRC enterprise income tax was charged for the nine months ended 30 September 2014 as the PRC subsidiary of the Group have recorded loss (nine months ended 30 September 2013: Nil).

There was no significant unprovided deferred taxation for the nine months ended 30 September 2014.

Deferred tax had not been provided as there were no significant temporary differences at 30 September 2014 (at 30 September 2013: HK\$2,571,000).

4. INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the nine months ended 30 September 2014 (nine months ended 30 September 2013: Nil).

5. LOSS PER SHARE

The calculation of basic loss per share from continuing and discontinued operations is based on the loss for the period attributable to owners of the Company of approximately HK\$31,817,000 (2013: loss approximately HK\$6,053,000) and the weighted average 296,305,307 (2013: 39,373,114 (Restated) (Note)) ordinary shares in issue during the period.

The calculation of basic loss per share from continuing operations is based on the loss for the period attributable to owners of the Company of approximately HK\$31,817,000 (2013: loss approximately HK\$4,629,000) and the weighted average 296,305,307 (2013: 39,373,114 (Restated) (Note)) ordinary shares in issue during the period.

Diluted loss per share for both continuing and discontinued operations for the nine months ended 30 September 2014 was the same as the basic loss per share.

Diluted loss per share for both continuing and discontinued operations for the nine months ended 30 September 2013 was the same as the basic loss per share. The Company's outstanding share options and convertible notes were not included in the calculation of diluted loss per share because the effect of the Company's outstanding share options and convertible notes were anti-dilutive.

There was no diluting event existing during the nine months ended 30 September 2014 and 2013.

5. LOSS PER SHARE *(Continued)*

Note:

On 29 August 2013, the Company implemented share consolidation on the basis that every 10 issued and unissued shares to be consolidated into 1 consolidated share. The weighted average number of ordinary shares in issue used in basic loss per share calculation for the nine months ended 30 September 2013 was adjusted retrospectively.

On 10 June 2014, the Company implemented share consolidation on the basis that every 5 issued and unissued shares to be consolidated into 1 consolidated share. The weighted average number of ordinary shares in issue used in basic loss per share calculation for the nine months ended 30 September 2013 was adjusted retrospectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The reportable businesses of the Group for the nine months ended 30 September 2014 (the “**Period**”) are funeral business, loan financing business and elderly home business. The Group’s total operating revenue during the Period amounted to approximately HK\$57,458,000, representing a decrease of 45.21% as compared to the same period of last year, which was mainly due to the fact that the Group ceased to operate the household products business from 1 June 2013, as such, there was no operating revenue from the household products business during the Period as compared to the same period of last year. The total losses of the Group during the Period were about HK\$34,026,000.

FUNERAL BUSINESS

During the Period, the funeral business of the Group recorded approximately HK\$57,356,000 and the net loss was approximately HK\$4,577,000.

With the development of operation and reputation accumulated in the operation over the past two years, the performance of Grand Peace Funeral Parlour in Hung Hom, Hong Kong improved. The Group’s total revenue during the Period from the provision of funeral services and sale of funeral-related products in Hong Kong amounted to approximately HK\$57,111,000, representing an increase of 15.29% as compared to the same period of last year of approximately HK\$49,536,000. It is the first time to report a gross profit of approximately HK\$6,250,000, while the net loss amounted to approximately HK\$3,834,000, representing a decrease of 64.52% as compared to the same period of last year of approximately HK\$10,806,000. The Group will strengthen promotion and advertising investment as well as personnel training to increase the utilization ratio of Grand Peace Funeral Parlour, and try to control costs and expenses.

For the funeral business in Mainland China, the Group has successively invested resources in developing Huidong County Huaqiao Cemetery. Although there were several consecutive extraordinary rainstorms between April and May in Guangdong Province which significantly affected the project progress, the infrastructure work of Huidong cemetery (including the road landscape and greening in the cemetery area) was preliminarily completed in the third quarter and commenced to generate business. During the Period, the total revenue of the Group from Huidong cemetery amounted to approximately HK\$245,000 and the net loss was approximately HK\$743,000.

LOAN FINANCING BUSINESS

On 25 March 2014, Elite Finance Global Limited, a direct wholly-owned subsidiary of the Company, entered into an acquisition agreement with an independent third party to acquire 100% equity interests of a finance company (the “**Finance Company**”) whose principal business activity was loan financing. The Finance Company holds a valid Money Lender Licence under Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) qualifying for providing loan financing service to clients.

During the Period, the total interest income of the Group from providing loan financing services was approximately HK\$102,000 and the net loss was approximately HK\$211,000.

ELDERLY HOME BUSINESS

On 29 January 2014, Most Fame (China) Limited (“**Most Fame**”), an indirect wholly-owned subsidiary of the Company, and an independent third party entered into a cooperation agreement in relation to the establishment of a joint venture company in the PRC (the “**JV Company**”). Upon incorporation, the JV Company will principally engage in the construction, management and operation of a home for the elderly in Huidong County, Huizhou, Guangdong Province, the PRC.

Most Fame will own 65% of the share capital of the JV Company. The establishment of the JV Company will enable the JV Parties to develop the business of operation of homes for the elderly in Guangdong Province, which will attract elderly from Hong Kong as residents. We believe that the home for the elderly will bring synergistic effect to the cemetery operated by the Group in Huidong. The transaction was completed on 22 May 2014.

The Company has incorporated a joint venture company (namely 惠州市福澤頤養服務有限公司) for operation of the home for the elderly at 12 May 2014.

Since the home for the elderly is currently under construction, there was no income generated from elderly home business during the Period.

PROSPECTS

The Group will remain focusing on its funeral business in Hung Hom of Hong Kong and Huidong of China.

The Company will appoint an IT company to construct an online platform (“**Online Platform**”) for its business development. The Company expects that, upon the launch of the Online Platform, the Company will be offering global online related services in respect of the memorial tablets of its Cemetery. Upon the launch of the Online Platform, the Company also intends to develop the business of online worshipping services which allows clients to overcome geographical limitations to worship their ancestors. In addition, the Company intends to make use of the Online Platform to provide online elderly meeting services for clients to keep them informed of the living conditions of the elderly living in the Elderly Home. It is expected that the Company could expand the scope of its elderly care and funeral services provided that the above plan is materialised.

On 22 July 2014, EMAX Venture Limited, a direct wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to acquire 25% of the issued shares of Miracle Power Limited (“**Miracle**”) which operates its pet shop business in the local market. The Group wishes to cooperate with Miracle to develop pet funeral business as and when appropriate.

The Group will also continue to seek and identify other businesses that are conducive to bringing more robust profits, and forming growth points through acquiring and developing different businesses.

We believe that the strategy of diversification will increase the value of the owners’ equity and spread business risks.

VERY SUBSTANTIAL DISPOSAL

On 4 February 2013, General Asia Holdings Limited (“**General Asia**”), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “**SPA**”) with Future Step Development Limited (“**Future Step**”), an independent third party, and Ms. Zhang Zongying (“**Ms. Zhang**”) pursuant to which Future Step has agreed to acquire and General Asia has agreed to sell 7,500 ordinary shares of Trader Group International Limited (the “**Sale Shares**”), a non-wholly-owned subsidiary of General Asia, of US\$1.00 each, representing 75% of the entire issued share capital of Trader Group International Limited, for a total consideration of HK\$70,000,000.

In order to secure Future Step's payment obligations under the SPA, Future Step agreed to enter into a deed of share mortgage ("**Share Mortgage**") in favour of General Asia on completion. Pursuant to the Share Mortgage, Future Step agreed to mortgage the Sale Shares to General Asia until after all obligations under the SPA on the part of Future Step have been fulfilled by the Purchaser. Pursuant to the terms of the SPA, the consideration should be fully settled on or before 23 December 2013.

The transaction constitutes a very substantial disposal for the Company under the GEM Listing Rules.

The transaction has been approved by shareholders of the Company at the special general meeting of the Company held on 27 May 2013. The transaction was completed on 31 May 2013.

In light of the financial difficulties of Future Step and Ms. Zhang, after consultations, on 27 August 2013, General Asia, Future Step and Ms. Zhang entered into a first supplemental agreement to reschedule the timetable of the consideration settlement. Pursuant to this supplemental agreement, the timetable of the consideration settlement was revised as follows:

1. HK\$21 million will be paid on or before 31 December 2013;
2. HK\$21 million will be paid on or before 31 March 2014; and
3. The balance of HK\$28 million will be paid on or before 30 June 2014.

Up to March 2014, Future Step has altogether paid RMB3 million (approximately HK\$3,792,100). On the premise that all the parties to the SPA are willing to perform their responsibilities under the SPA, on 8 May 2014, the parties to the SPA entered into a second supplemental agreement regarding the further revised consideration settlement timetable. Pursuant to this supplemental agreement, the timetable of the consideration settlement was further revised as follows:

1. HK\$10 million will be paid on or before 30 September 2014;
2. HK\$20 million will be paid on or before 31 December 2014; and
3. The balance of HK\$36,207,900 will be paid on or before 31 March 2015.

As at the date of this report, Future Step has paid HK\$5 million further.

Details of the transaction were set out in the Company's announcements dated 6 March 2013, 27 May 2013, 31 May 2013 respectively, the circular dated 8 May 2013 and the third quarterly report dated 25 October 2013.

PLACING OF CONVERTIBLE BONDS

On 17 October 2012, the Company and Sun Securities Limited (the “**Placing Agent**”) entered into a placing agreement (the “**Placing Agreement**”), pursuant to which the Placing Agent agreed to procure, on a best efforts basis, independent placees to subscribe in cash for the convertible bonds of (“**Convertible Bonds**”) up to an aggregate principal amount of HK\$100,000,000. Assuming the Convertible Bonds are placed in full, the maximum gross proceeds from the placing of the Convertible Bonds is HK\$100,000,000 and the maximum net proceeds from the placing of the Convertible Bonds (after deducting related expenses) are estimated to be approximately HK\$98.45 million. The net proceeds from the Convertible Bonds will be used (i) as to approximately HK\$36.3 million for repayment of existing convertible notes and interest accrued thereon; and (ii) the remaining amount for the general working capital of the Group and investment in any potential business opportunity, if any.

The transaction was approved by shareholders of the Company at the special general meeting of the Company held on 23 November 2012.

The completion of the Placing took place on 14 May 2013. The Convertible Bonds in an aggregate amount of HK\$60 million were actually placed by the Placing Agent and issued to not fewer than six Placees who are independent third parties. The net proceeds from the issue of the Convertible Bonds, after deduction of expenses, were approximately HK\$59.2 million. The net proceeds from the Convertible Bonds have been used (i) as to approximately HK\$15.6 million for repayment of loan; and (ii) as to approximately HK\$43.6 million for the general working capital of the Group.

On 23 May 2013 and 25 June 2013, 297,176,820 and 148,588,410 conversion shares were allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in the principal amounts of HK\$20 million and HK\$10 million respectively.

On 6 December 2013, the Company redeemed HK\$20 million of the Convertible Bonds. Upon redemption of the Convertible Notes in the principal amounts of HK\$20 million, the total outstanding amount of the Convertible Bonds was HK\$10 million, which were redeemed by the Company on 27 January 2014. Thus, there was no outstanding amount of the Convertible Bonds from 27 January 2014.

For details, please refer to the announcements of the Company dated 17 October 2012, 23 November 2012, 9 April 2013, 22 April 2013 and 14 May 2013 respectively, the circular dated 8 November 2012 and the next day disclosure returns dated 23 May 2013 and 25 June 2013 respectively.

FORMATION OF JOINT VENTURE

On 29 January 2014, Most Fame (China) Limited (“**Most Fame**”), an indirect wholly-owned subsidiary of the Company, and an independent third party entered into a cooperation agreement in relation to the establishment of a joint venture company (“**JV Company**”) in the PRC, which will be principally engaged in the construction, management and operation of a home for the elderly in Huidong County, Huizhou, Guangdong Province, the PRC. The share capital of the JV Company will be owned as to 65% by Most Fame and 35% by the independent third party. The transaction was completed on 22 May 2014.

For details, please refer to the announcements of the Company dated 29 January 2014, 11 February 2014 and 22 May 2014 respectively.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 25 February 2014 (after trading hours), the CNI Securities Group Limited (the “**Placing Agent**”) and the Company entered into a placing agreement (the “**Placing Agreement**”) pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, aggregate maximum of 227,400,000 new shares of the Company (the “**Placing Shares**”) at the placing price of HK\$0.078 per share to not fewer than six placees (the “**Placees**”).

The Placing Shares were issued under the general mandate (the “**General Mandate**”) to allot, issue and deal with shares granted to the Directors by resolution of the shareholders of the Company passed at the special general meeting of the Company held on 24 January 2014 (the “**SGM**”) subject to the limit up to 20% of the then issued share capital of the Company as at the date of the SGM. Under the General Mandate, the Company is authorized to issue up to 227,412,120 shares.

The Company entered into the Placing Agreement with the Placing Agent with the reason being the Directors considered that the placing represented a good opportunity for the Company to raise additional capital to enhance its capital base and broaden its shareholders’ base.

The completion of the placing took place on 7 March 2014. An aggregate of 227,400,000 Placing Shares have been successfully placed by the Placing Agent to seven individual investors and two institutional investors at HK\$0.078 per Placing Share. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Placees and their ultimate beneficial owners (if applicable) were third parties independent of and not connected with the Company and its connected persons. The closing price of the shares of the Company was HK\$0.09 on 25 February 2014, being the date of the Placing Agreement. The net proceeds of approximately HK\$17.10 million from the placing were used (i) as to approximately HK\$10 million for partial payment of deposit under the Cooperation Agreement; and (ii) as to approximately HK\$7.1 million for working capital of the Group.

For details, please refer to the announcements of the Company dated 25 February 2014 and 7 March 2014 respectively.

PLACING OF SHARES UNDER SPECIFIC MANDATE

On 1 April 2014 (after trading hours), the Company and the CNI Securities Group Limited (the “**Placing Agent**”) entered into a placing agreement (the “**Placing Agreement**”) pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 410,000,000 new shares of the Company (the “**Placing Shares**”), to not less than six placees (the “**Placees**”) at a price of HK\$0.067 per share.

The Placing Shares were issued under the specific mandate obtained at the special general meeting of the Company held on 26 May 2014.

The Company entered into the Placing Agreement with the Placing Agent with the reason being the Directors were of the view that the placing can strengthen the financial position of the Group, provide working capital and additional resources to the Group for future development. The placing also represents a good opportunity to broaden the capital base of the Company.

The completion of the placing took place on 9 June 2014. An aggregate of 410,000,000 Placing Shares have been successfully placed by the Placing Agent to five individual investors and two institutional investors at HK\$0.067 per Placing Share. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Placees and their ultimate beneficial owners (if applicable) were third parties independent of and not connected with the Company and its connected persons. The closing price of the shares of the Company was HK\$0.078 on 1 April 2014, being the date of the Placing Agreement. The net proceeds from the placing was approximately HK\$26.06 million, which was intended to be used (i) as to HK\$8 million for the settlement of the remaining deposit balance under the Cooperation Agreement; (ii) as to approximately HK\$3 million for the development of the business of finance company; (iii) as to approximately HK\$7 million for the outstanding rental prepayment of the funeral parlour (the actual rental repayment of which being HK\$13.95 million per quarter); and (iv) as to approximately HK\$8.06 million as general working capital of the Group or, if attractive investment opportunities are identified, may be used for possible acquisition.

For details, please refer to the announcements of the Company dated 1 April 2014 and 9 June 2014 respectively and the circular of the Company dated 8 May 2014.

SHARE CONSOLIDATION

The Company implemented a share consolidation on the basis of every five (5) issued and unissued shares of the Company of HK\$0.02 each being consolidated into one (1) consolidated share of the Company of HK\$0.1 each (the “**Share Consolidation**”) during the Period.

An ordinary resolution of the Company has been passed by the shareholders of the Company by way of poll to approve the Share Consolidation at the special general meeting held on 9 June 2014. The Share Consolidation became effective on 10 June 2014.

For details, please refer to the announcements of the Company dated 2 May 2014 and 9 June 2014 respectively and the circular of the Company dated 22 May 2014.

CHANGE OF COMPANY NAME

Pursuant to the special resolution passed at the special general meeting held on 1 September 2014 and approval from the Registrar of Companies in Bermuda on 5 September 2014 confirming the change of name has become effective on 2 September 2014, the name of the Company has been changed from “FAVA International Holdings Limited” to “Grand Peace Group Holdings Limited”, and upon the change of name becoming effective, “福澤集團控股有限公司” has been adopted as the new Chinese name in place of “名家國際控股有限公司” for identification purposes only.

For details, please refer to the announcement of the Company dated 24 July 2014, 6 October 2014 and the circular of the Company dated 8 August 2014.

LIQUIDITY AND FINANCIAL RESOURCES

All the Group’s funding and treasury activities are basically managed and controlled by the senior management. There is no significant change in respect of treasury and financing policies from the information disclosed in the Group’s latest annual report.

As at 30 September 2014, cash and bank balances of the Group was approximately HK\$7,411,000. (as at September 2013: approximately HK\$4,110,000).

As at 30 September 2014, the total borrowings of the Group amounted to approximately HK\$79,000,000 (2013: approximately HK\$50,038,000), representing unsecured bonds of HK\$79,000,000 at the effective interest rates ranged from 2% per annum to 20% per annum.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the new share option scheme adopted on 9 December 2010, during the period, the Company or any of its subsidiaries was not a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

As at 30 September 2014, none of the Directors or chief executives of the Company held any share options of the company.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the nine months ended 30 September 2014, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiries to all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

DISCLOSURE OF INTEREST AS PER REGISTERS KEPT PURSUANT TO THE SECURITIES FUTURES ORDINANCE (“THE SFO”)

(A) DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rules 5.46 of the GEM Listing Rules were as follows:

Long positions in ordinary shares of HK\$0.1 each of the Company

Name of director	Number of shares held, capacity and nature of interest				Total	Approximate percentage of the Company's total issued share capital (Note 1)
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation (Note 2)	Beneficiary of a trust		
Mr. Li Ge	16,054,800	–	36,618,484	–	52,673,284	14.84%

Notes:

- (1) The percentage is calculated by dividing the number of shares interested or deemed to be interested by the existing 354,892,120 issued shares as at 30 September 2014.
- (2) Mr. Li Ge beneficially owns the entire issued share capital of True Allied Assets Limited. Therefore, Mr. Li Ge is deemed, or taken to be, interested in all the shares held by True Allied Assets Limited.

Save as disclosed above, as at 30 September 2014, none of the Directors and chief executive of the Company was, under Divisions 7 & 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules.

(B) **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY**

So far as were known to the Directors or chief executive of the Company, as at 30 September 2014, the following persons (other than the Directors and chief executive of the Company as disclosed above) had interests and/or short positions of 5% or more of the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the ordinary shares of HK\$0.1 each of the Company

Name	Nature and capacity of interest	Number of ordinary shares held	Approximate percentage of the company's total issued capital (Note 1)
Substantial Shareholder			
True Allied Assets Limited (Note 2)	Beneficial owner	36,618,484	10.32%

Notes:

- (1) The percentage is calculated by dividing the number of shares interested or deemed to be interested by the existing 354,892,120 issued shares as at 30 September 2014.
- (2) Mr. Li Ge beneficially owns the entire issued share capital of True Allied Assets Limited. Therefore, Mr. Li Ge is deemed, or taken to be, interested in all the shares held by True Allied Assets Limited.

Save as disclosed above, as at 30 September 2014, the Directors are not aware of any other persons, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had interests or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 to the SFO.

CHARGE ON GROUP'S ASSETS

Save as the pledged bank deposits, the Group did not have any other charge on its assets as at 30 September 2014 (as at 30 September 2013: Save as the finance lease contract for the Group's office equipment and pledged bank deposits, the Group did not have any other charge on its assets).

FOREIGN CURRENCY RISK

As most of the Group's transactions are denominated in Renminbi and Hong Kong dollars, the Directors believe that the Group's exposure to exchange fluctuation was immaterial and the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

CONTINGENT LIABILITIES

The Group had no contingent liabilities at the balance sheet date.

CORPORATE GOVERNANCE PRACTICES

Mr. Li Ge ("**Mr. Li**") assumes the roles of both the chairman and the chief executive officer of the Company. While serving as the chairman of the Group, Mr. Li leads the Board and is responsible for the proceedings and workings of the Board. He ensures that:

- the Board acts in the best interests of the Group; and
- the Board functions effectively, and that all key and appropriate issues are properly briefed to and discussed by the Board.

The Group deviates from Code Provision A.2.1 of the CG Code. The roles of chairman and chief executive officer of the Group rests on the same individual without having a clear division of responsibilities. However, the Board is of the view that, such non-compliance does not compromise accountability and independent decision making for the following reasons:

- the three independent non-executive Directors form half of the six member Board;
- the Audit Committee, the Remuneration Committee and the Nomination Committee are composed exclusively of independent non-executive Directors; and
- the independent non-executive Directors could have free and direct access to the Company's external auditors and independent professional advice whenever necessary.

Mr. Li is continuously dedicated to contribute to the growth and profitability of the Group. The Board considered it to be more efficient for the Group to have an executive chairman, which provide the Board with a strong and consistent leadership to guide discussions and brief the Board in a timely manner on pertinent issues and their progress, facilitate open dialogue between the Board and the management, thus it is in the best interests of the Group.

Save as disclosed above, for the nine months ended 30 September 2014, the Company complied with the code provisions of the Code.

SHARE OPTION SCHEME

On 9 December 2010, the company adopted a share option scheme (the “**Share Option Scheme**”). Pursuant to the Share Option Scheme, the Board, may for a consideration of HK\$1.00, offer to selected eligible persons (as defined in the circular of the Company dated 23 November 2010) to subscribe for shares of the Company as incentive or rewards for their contribution to the Group. The subscription price will be determined by the Board in its absolute discretion, in any event, shall not be less than the higher of the nominal value for the time being of each share of the Company, the average closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date on which the relevant option is granted and the closing price of the shares of the Company as stated in the Stock Exchange’s daily quotation sheet on the date on which the relevant option is granted.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and other schemes of the Company may not, in aggregate, exceed 30% of the issued share capital of the Company from time to time which have been duly allotted and issued. The total number of shares issued and to be issued upon exercise of the options granted (including both exercised and outstanding options) in any 12-month period to each eligible person shall not exceed 1% of the shares in issue. If any further grant of options to such eligible person which would result in the shares issued or to be issued upon exercise of all options granted or to be granted to such eligible person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of further grant would exceed 1% of the shares in issue, such grant must be separately approved by shareholders in general meeting, with such eligible person and its associates abstaining from voting. A shareholders’ circular containing the information required by the GEM Listing Rules shall be despatched to the shareholders. An option may be exercised in whole or in part at any time during the Option Period (as defined in the circular of them Company dated 23 November 2010).

The maximum number of shares available for issue upon the exercise of the options under the Share Option Scheme is 3,433,911 shares, representing 10% of 34,339,119 shares, the total issued shares of the Company at the date on which the Share Option Scheme was adopted (as adjusted to reflect the share consolidations becoming effective on 29 August 2013 and 10 June 2014 respectively).

The Share Option Scheme became effective for a period of 10 years commencing on 9 December 2010 (the date on which the Share Option Scheme was adopted).

The details and major provisions of the Share Option Scheme were set out in the circular of the Company dated 23 November 2010.

The Company has not grant any options under the Share Option Scheme for the nine months ended 30 September 2014.

As at the date of this report, none of the Directors or chief executives of the Company held any share options of the Company.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the nine months ended 30 September 2014, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

COMPETING INTEREST

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates had any interest in any business which competed or might compete with the business of the Group for the nine months ended 30 September 2014.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's third quarterly results announcement and report for the nine months ended 30 September 2014 and provided advice and recommendations to the Board. After the review of the financial statements, the members of the Audit Committee were of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and other applicable laws and regulations and that adequate disclosure had been made.

By Order of the Board
Grand Peace Group Holdings Limited
Li Ge
Executive Director

Hong Kong, 11 November 2014

As at the date of this report, the Board comprises of Mr. Li Ge, Mr. SUN, Miguel and Mr. Cheng Wai Keung as executive Directors, Mr. LIU Qing Chen, Ms. Tan Xiao Yan and Mr. ZHANG Chun Qiang as independent non-executive Directors.