

# GRAND PEACE GROUP HOLDINGS LIMITED 福澤集團控股有限公司\*

(Incorporated in Bermuda with limited liability)

Stock Code : 08108



First Quarterly Report **2015**

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE “GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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 enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## FIRST 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 ended 31 March 2015 together with the comparative figures.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the three months ended 31 March 2015

	Notes	Three months ended 31 March	
		2015 HK\$'000	2014 HK\$'000
Turnover	2	22,887	20,783
Cost of sales		(16,712)	(18,251)
Gross profit		6,175	2,532
Other revenue		1	6
Other income		812	1,097
Selling and distribution costs		(1,677)	(1,319)
Administrative expenses		(6,125)	(11,658)
Loss from operations		(814)	(9,342)
Finance costs		(6,498)	(723)
Share of results of an associate		(26)	–
Share of results of a joint venture		(116)	–
Loss before taxation		(7,454)	(10,065)
Taxation	3	–	7
Loss for the period		(7,454)	(10,058)
Attributable to:			
Owners of the Company		(8,104)	(9,720)
Non-controlling interests		650	(338)
		(7,454)	(10,058)

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

For the three months ended 31 March 2015

	Notes	Three months ended 31 March	
		2015 HK\$'000	2014 HK\$'000
Loss for the period		<b>(7,454)</b>	(10,058)
Interim dividend	4	–	–
Other comprehensive income for the period, net of tax			
Share of other comprehensive income of a joint venture		<b>5</b>	–
<b>Total comprehensive loss for the period</b>		<b>(7,449)</b>	(10,058)
Total comprehensive loss attributable to:			
Owners of the Company		<b>(8,099)</b>	(9,720)
Non-controlling interests		<b>650</b>	(338)
		<b>(7,449)</b>	(10,058)
		<b>HK cents</b>	HK cents
Loss per share			
– Basic and diluted	5	<b>(2.28)</b>	(4.06)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital HK\$'000	Share Premium HK\$'000	Contributed Surplus HK\$'000	Available- for-sale Securities revaluation reserve HK\$'000	Convertible notes reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Subtotal HK\$'000	Non- controlling interest HK\$'000	Total equity HK\$'000
For the three months ended 31 March 2014										
At 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	-	-	-	-	-	-	(9,720)	(9,720)	(338)	(10,058)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	(9,720)	(9,720)	(338)	(10,058)
Early redemption of convertible notes	-	-	-	-	(6,798)	-	606	(6,192)	-	(6,192)
Issue of shares by placing	4,548	12,657	-	-	-	-	-	17,205	-	17,205
At 31 March 2014	27,289	329,932	36,000	-	-	3,507	(205,766)	190,962	(10,684)	180,278
For the three months ended 31 March 2015										
At 1 January 2015	35,489	347,887	36,000	(410)	-	1,134	(237,828)	182,272	(15,004)	167,268
Loss for the period	-	-	-	-	-	-	(8,104)	(8,104)	650	(7,454)
Other comprehensive income for the period	-	-	-	-	-	5	-	5	-	5
Total comprehensive income/(loss) for the period	-	-	-	-	-	5	(8,104)	(8,099)	650	(7,449)
At 31 March 2015	35,489	347,887	36,000	(410)	-	1,139	(245,932)	174,173	(14,354)	159,819

Notes:

## 1. BASIS OF PREPARATION

The Group's unaudited first 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 622 of the Laws of Hong Kong).

The measurement basis used in the preparation of the financial statements is historical cost convention.

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the three months ended 31 March 2015 are consistent with those adopted in the annual report of the Company for the year ended 31 December 2014.

## 2. TURNOVER

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

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

	<b>Three months ended 31 March</b>	
	<b>2015 HK\$'000 (Unaudited)</b>	2014 HK\$'000 (Unaudited)
Provision of funeral services and sale of funeral related products	<b>22,452</b>	20,783
Loan financing business	<b>435</b>	–
	<b>22,887</b>	20,783

### 3. TAXATION

No provision for Hong Kong profits tax has been made as the Group has no assessable profit in Hong Kong for the three months ended 31 March 2015 (three months ended 31 March 2014: Nil).

No PRC enterprise income tax was charged for the three months ended 31 March 2015 as the PRC subsidiary of the Group have recorded loss (three months ended 31 March 2014: Nil).

There was no significant unprovided deferred taxation for the three months ended 31 March 2015 (three months ended 31 March 2014: Nil).

Deferred tax had not been provided as there were no significant temporary differences at 31 March 2015 (as at 31 March 2014: Nil).

### 4. INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the three months ended 31 March 2015 (three months ended 31 March 2014: Nil).

### 5. LOSS PER SHARE

The calculation of basic loss per share from operations is based on the loss for the period attributable to owners of the Company of approximately HK\$8,104,000 (2014: approximately HK\$9,720,000) and the weighted average 354,892,120 (2014: 239,540,120 (Restated) (Note)) ordinary shares in issue during the period.

There was no diluting event existing during the three months ended 31 March 2015 and 2014.

Note:

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 three months ended 31 March 2014 was adjusted retrospectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of Grand Peace Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited first quarterly results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 31 March 2015 (the “**Period**”).

### Business and Financial Review

The Group's reportable businesses during the Period are the funeral business, loan financing business and elderly home business.

The Group's total unaudited operating revenue during the Period amounted to approximately HK\$22,887,000, representing an increase of 10.12% as compared to the same period last year, which was mainly due to the increase in revenue of the Group's funeral business, the preliminary results of its cost control measures, and the consolidation of the revenue of the Finance Company, which was acquired on 25 March 2014. Due to the continuous hike in operating expenses, the Group's total loss during the Period amounted to approximately HK\$7,454,000.

### Funeral Business

During the Period, the Group recorded total revenue of approximately HK\$22,452,000 from the provision of funeral services and sale of funeral-related products in Hong Kong and Mainland China and a gross profit of approximately HK\$5,791,000. Due to the high costs for sustaining the operation of the funeral business (in particular the quarterly rental payment of HK\$13,950,000 payable to the Food and Environmental Hygiene Department by Grand Peace Funeral Parlour), the gross profit margin of the funeral business improved but remained at a low level.

With the development of operation and reputation over the past two years, the performance of Grand Peace Funeral Parlour in Hung Hom, Hong Kong has improved. For the first three months ended 31 March 2015, the Group's total revenue from the provision of funeral services and sale of funeral-related products amounted to approximately HK\$22,452,000, representing an increase of 8.03% as compared to the same period last year of approximately HK\$20,783,000. The Group will continue to enhance promotion and advertising investment as well as personnel training to raise the utilisation of Grand Peace Funeral Parlour, and endeavour to control costs and expenses.

For the funeral business in Mainland China, the Group has successively invested resources in developing Huidong County Huaqiao Cemetery. The preliminary infrastructure work of Huidong cemetery (including the road landscaping and greening in the cemetery area) was substantially completed in the third quarter of 2014 and commenced trial operation. During the Period, the Group recorded no revenue from Huidong cemetery and it contributed a net loss of approximately HK\$139,000, which was mainly due to the fact the construction of Huidong cemetery was not fully completed yet and its low recognition among customers. The Group will continue to enhance promotion and advertising investment to stimulate the marketing and sales of Huidong cemetery.



Driven by the growth of its funeral business and the preliminary results of its cost control measures, the Group's funeral business turned into profit during the Period, recording a net profit of approximately HK\$1,456,000, as compared to net loss of approximately HK\$1,611,000 for the same period last year.

### 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 in 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\$435,000, while the net loss was approximately HK\$130,000.

### 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 an elderly home 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 elderly nursing homes in Guangdong Province, which will attract Hong Kong elderly people. We believe that the elderly nursing home will bring synergistic effect to the cemetery operated by the Group in Huidong. The transaction was completed on 22 May 2014.

A joint venture company, namely 惠州市福澤頤養服務有限公司, was incorporated by the Company for operation of the elderly nursing home on 12 May 2014. Since the elderly nursing home 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 Group will strive to raise the utilisation rate of Grand Peace Funeral Parlour and its funeral parlours in Huidong of China by way of enhancing personnel training, promotion and advertising investment.

For the purposes of sustaining the development of the Group's funeral business and expanding market share, a very substantial acquisition in relation to the acquisition of up to 99.95% equity interest in a funeral services business was carried out. On 26 November 2014, a number of entities and/or individuals who are the owners of Kowloon Funeral Parlour Company Limited ("**KFP**") prior to the completion of the KFP Acquisition (collectively, the "**Owners**") and Solaron Limited, a company incorporated in the British Virgin Islands with limited liability (the "**Target Company**"), both being independent third parties to the Company, entered into the KFP Sale and Purchase Agreement pursuant to which the Target Company agreed to purchase, and the Owners agreed to sell the shares in KFP (the "**KFP Shares**") to the Target Company, at a consideration of HK\$295,000 per KFP Share payable by the Target Company to the Owners pursuant to the KFP Sale and Purchase Agreement (assuming the acquisition of up to 1,999 KFP Shares under the KFP Acquisition, the aggregate consideration for the KFP Acquisition shall be up to HK\$589,705,000). Upon completion of the KFP Acquisition, the Target Company shall be interested in not less than 75% and up to 99.95% of the entire issued share capital of KFP, and KFP will become a subsidiary of the Target Company.

The Board announced that on 2 December 2014 (after trading hours), Merit Vision Holdings Limited (the "**Purchaser**"), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Mr. Kong Lung Cheung (the "**Vendor**") (to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, the Vendor and its associates are third parties independent of the Company and its connected persons), pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Share, at the consideration of HK\$200,000,000 (subject to adjustment under the Consideration Adjustment Mechanism). Subject to the terms and conditions of the Sale and Purchase Agreement, the Vendor shall sell as the legal and beneficial owner and the Purchaser (or such person as the Purchaser may direct, which shall be a subsidiary of the Company) shall purchase all, but not some only, of the Sale Share, free from all encumbrances and together with all rights now or hereafter attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the Completion Date. The Sale Share means one issued and fully paid ordinary share of the Target Company, representing 100% of the entire issued share capital of the Target Company. Upon completion of the KFP Acquisition, the Target Company will be interested in not less than 75% and up to 99.95% of the entire issued share capital of KFP. The number of KFP Shares to be acquired by the Target Company would be confirmed at completion of the KFP Acquisition. Upon completion, the Target Company and KFP will become subsidiaries of the Company.

The Board considers the entering into of the Sale and Purchase Agreement represents an attractive investment opportunity to the Company based on (i) the growing net profit margin of the Target Company in the past three years; (ii) the funeral services business of KFP being in line with the principal business activities of the Company; (iii) the Acquisition would allow the Company to gain further market share in the oligopolistic funeral services industry; (iv) the Acquisition would be entirely satisfied by cash and the issue of the Promissory Note, which is not expected to result in any dilution effect on the shareholding of the existing Shareholders; (v) possible enhancement of the corporate image of the Group due to the long-standing brand of KFP; and (vi) the expected synergy effect with the existing funeral services business of the Group.

The Company has also considered that the right to operate Grand Peace Funeral Parlour will expire on 31 March 2017. If the Group is unsuccessful in the next tender for the continued right of the operation of Grand Peace Funeral Parlour, the Group may be unable to carry out its principal business activities, which may in turn affect the financial performance of the Group. As the operation of the Funeral Parlour is not subject to tender, the Acquisition will allow the Group to carry on with its principal business activities.

**As at the date of this report, the very substantial acquisition is still in progress.**

More details regarding for this very substantial acquisition is set out in the section headed "**VERY SUBSTANTIAL ACQUISITION**" below.

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

We believe that the strategy of diversification will add value to owners' equity and disperse 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.

In November 2014, the Vendor has paid HK\$5.0 million further.

In light of the financial condition of Future Step and Ms. Zhang, Future Step and Ms. Zhang are still unable to perform their respective obligations under the second supplemental agreement as schedule. As such, the parties to the sale and purchase agreement entered into a third supplemental agreement after friendly negotiation to reschedule the timetable of the consideration settlement. Pursuant to the recent agreement, the timetable of the consideration settlement was further revised as follows:

1. HK\$4.0 million will be paid in or before March 2015;
2. HK\$7.0 million will be paid in or before May 2015;
3. HK\$25 million will be paid in or before June 2015; and
4. The balance of HK\$25,207,900 will be paid in or before September 2015.

As of the date of this report, the Vendor paid another HK\$4.0 million.

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.

## VERY SUBSTANTIAL ACQUISITION

On 2 December 2014, Merit Vision Holdings Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Mr. Kong Lung Cheung (the "**Vendor**"), pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Share, at the Consideration of HK\$200,000,000 (subject to adjustment under the Consideration Adjustment Mechanism).

The Sale Share means one issued and fully paid ordinary share of the Target Company, representing 100% of the entire issued share capital of the Target Company. Upon completion of the KFP Acquisition, the Target Company will be interested in not less than 75% and up to 99.95% of the entire issued share capital of KFP. Upon Completion, the Target Company and KFP will become subsidiaries of the Company.

The Consideration shall be in the sum of HK\$200,000,000 (subject to adjustment under the Consideration Adjustment Mechanism), provided that 99.95% of the entire issued share capital of KFP is owned by the Target Company following the completion of the KFP Acquisition.

The Consideration shall be payable in any way as the Vendor may direct free from any set-off, counterclaim or other deduction of any nature whatsoever in the following manners:

- (i) HK\$38,000,000, being the Deposit and part payment of the Consideration, shall be paid in the following manners: (a) HK\$8,000,000 shall be paid in cash upon the signing of the Sale and Purchase Agreement; and (b) HK\$30,000,000 shall be paid in cash within 14 days from the date of signing the Sale and Purchase Agreement; and
- (ii) HK\$162,000,000, being the remaining part of the Consideration, shall be paid in the following manners: (a) Cash Settled Amount of HK\$62,000,000 shall be paid in cash on Completion; and (b) the Remaining Balance of HK\$100,000,000 shall be settled by the issuance of the Promissory Note by the Purchaser to the Vendor on Completion.

Notwithstanding the above, the Consideration shall be adjusted and determined based on the actual number of KFP Shares held by the Target Company upon the completion of the KFP Acquisition according to the Consideration Adjustment Mechanism pursuant to the Sale and Purchase Agreement.

The Promissory Note shall expire 2 years after the Completion Date with an interests rate at 8% per annum due on the date following such Maturity Date.

The Deposit has been paid by the Purchaser according to the abovementioned arrangement by internal resources of the Group. The Company intends to settle the Cash Settled Amount and repay the Promissory Note by internal resources of the Group and/or debt and/or equity financing.

**As at the date of this report, the very substantial acquisition is still in progress.**

For details, please refer to the announcements of the Company dated 8 January 2015, 30 January 2015, 26 February 2015, 20 March 2015 and 24 April 2015 respectively.

## 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 31 March 2015 cash and bank balances of the Group was approximately HK\$12,585,000 (as at 31 March 2014: approximately HK\$8,984,000).

As at 31 March 2015, the total borrowings of the Group amounted to approximately HK\$134,547,000 (2014: approximately HK\$53,000,000), representing (i) unsecured bonds of HK\$114,663,000 at the effective interest rate ranged from 3.13% per annum to 38.03% per annum; (ii) secured short term loan of HK\$15,000,000 at the effective interest rate 36% per annum; and (iii) unsecured short term loan of HK\$4,884,000 at the effective interest rate 15.87% per annum.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the 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 31 March 2015, 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 three months ended 31 March 2015, 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 of 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 31 March 2015, 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\$0.10 Each of the Company

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

Note:

- (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 31 March 2015.
- (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 31 March 2015, 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 31 March 2015, 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	Notes	Nature and capacity of interest	Number of ordinary shares held	Approximate percentage of the Company's total issued capital
<b>Substantial Shareholder</b>				
True Allied Assets Limited	1,2	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 31 March 2015.
- (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 31 March 2015, 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 of the SFO.

## CHARGE ON GROUP'S ASSETS

Save for the pledged bank deposits and a short term loan which was secured by the share capital of one of the Group's subsidiaries, the Group did not have any other charge on its assets as at 31 March 2015 (2014: Save as the 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, 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 three months ended 31 March 2015, 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 consolidation 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 three months ended 31 March 2015.

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 three months ended 31 March 2015, 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 three months ended 31 March 2015.

## AUDIT COMMITTEE

The Audit Committee has reviewed the Group's first quarterly results announcement and report for the three months ended 31 March 2015 and provided advices 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, 12 May 2015

*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, and Mr. LIU Qing Chen, Ms. TAN Xiao Yan and Mr. ZHANG Chun Qiang as Independent Non-executive Directors.*