

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

(Incorporated in Bermuda with limited liability)

Stock Code : 08108



Interim Report **2015**

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INTERIM RESULTS (UNAUDITED)

The board of directors (the “**Board**”) of Grand Peace Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim financial statements of the Company and its subsidiaries (the “**Group**”) for the three months and six months ended 30 June 2015 together with the comparative figures.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 June 2015

	Notes	Three months ended 30 June		Six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Turnover	2	21,001	19,537	43,888	40,320
Cost of sales		(15,998)	(16,541)	(32,710)	(34,792)
Gross profit		5,003	2,996	11,178	5,528
Other revenue		287	730	288	736
Other income		1	–	813	1,097
Selling and distribution costs		(1,591)	(1,385)	(3,268)	(2,704)
Administrative expenses		(5,840)	(7,045)	(11,965)	(18,703)
Loss from operations	3	(2,140)	(4,704)	(2,954)	(14,046)
Finance costs		(5,563)	(930)	(12,061)	(1,653)
Share of result of an associate		(23)	–	(49)	–
Share of result of a joint venture		(475)	–	(591)	–
Loss before taxation		(8,201)	(5,634)	(15,655)	(15,699)
Taxation	4	–	–	–	7
Loss for the period		(8,201)	(5,634)	(15,655)	(15,692)
Attributable to:					
Owners of the Company		(7,999)	(5,262)	(16,103)	(14,982)
Non-controlling interests		(202)	(372)	448	(710)
		(8,201)	(5,634)	(15,655)	(15,692)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Loss for the period		(8,201)	(5,634)	(15,655)	(15,692)
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	–	234
Exchange differences on translating foreign operations – Exchange differences arising during the period		1,191	–	1,196	–
		1,191	234	1,196	234
Total comprehensive loss for the period		(7,010)	(5,400)	(14,459)	(15,458)
Total comprehensive loss attributable to:					
Owners of the Company		(6,808)	(5,028)	(14,907)	(14,748)
Non-controlling interests		(202)	(372)	448	(710)
		(7,010)	(5,400)	(14,459)	(15,458)
Loss per share		HK cents	HK cents	HK cents	HK cents
– basic and diluted	6	(2.25)	(1.8)	(4.54)	(5.62)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		12,191	2,635
Intangible assets		89,792	89,792
Interest in an associate		3,921	3,970
Investment in a joint venture		22,484	21,594
Available-for-sale financial assets	16	679	760
Prepayments		–	3,792
Loan receivables	10	6,704	7,156
		135,771	129,699
CURRENT ASSETS			
Inventories	8	174	171
Trade receivables	9	254	245
Loan receivables	10	13,587	11,293
Prepayments, deposits and other receivables	11	105,067	108,891
Amount due from an associate		3,000	3,000
Pledged bank deposits		29,235	28,950
Cash and bank balances	12	22,084	6,555
		173,401	159,105
LESS: CURRENT LIABILITIES			
Trade payables	13	304	284
Borrowings	14	65,814	51,657
Other payables and accruals		6,662	6,364
Receipts in advance		511	658
Amounts due to a director		124	124
		73,415	59,087
NET CURRENT ASSETS		99,986	100,018
TOTAL ASSETS LESS CURRENT LIABILITIES		235,757	229,717

	Notes	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
LESS: NON-CURRENT LIABILITIES			
Borrowings	14	83,029	62,449
NET ASSETS		152,728	167,268
CAPITAL AND RESERVES			
Share Capital	15	35,489	35,489
Reserves		131,795	146,783
Total equity attributable to owners of the Company		167,284	182,272
Non-controlling interests		(14,556)	(15,004)
Total equity		152,728	167,268

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital	Share premium	Contributed surplus	Convertible notes reserve	Available-for-sale securities revaluation reserve	Exchange reserve	Accumulated (losses)	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
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	-	-	-	-	-	-	(14,982)	(14,982)	(710)	(15,692)
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	-	(14,982)	(14,748)	(710)	(15,458)
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 June 2014	35,489	348,241	36,000	-	234	3,507	(211,028)	212,443	(11,056)	201,387
At 31 December 2014 and 1 January 2015	35,489	347,887	36,000	-	(410)	1,134	(237,828)	182,272	(15,004)	167,268
Profit/(Loss) for the period	-	-	-	-	-	-	(16,103)	(16,103)	448	(15,655)
Other comprehensive income for the period	-	-	-	-	-	1,196	-	1,196	-	1,196
Total comprehensive (loss)/income for the period	-	-	-	-	-	1,196	(16,103)	(14,907)	448	(14,459)
Change in fair value of available-for-sale financial assets	-	-	-	-	(81)	-	-	(81)	-	(81)
At 30 June 2015	35,489	347,887	36,000	-	(491)	2,330	(253,931)	167,284	(14,556)	152,728

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

For the six months ended 30 June

	2015 HK\$'000	2014 HK\$'000
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES	(8,366)	(54,438)
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES	(10,762)	(6,949)
NET CASH INFLOWS FROM FINANCING ACTIVITIES	34,657	72,665
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,529	11,278
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	6,555	3,843
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	22,084	15,121
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	22,084	15,121

Notes:

1. BASIS OF PREPARATION

The Group's unaudited interim results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), including compliance with Hong Kong Accounting Standard 34 "Interim financial reporting", accounting principles generally accepted in Hong Kong and the applicable disclosures 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 by the Hong Kong Companies Ordinance.

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 six months ended 30 June 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, services provided for and loan interest received, 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 June		Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Provision of funeral services and sale of funeral related products	19,736	19,537	42,188	40,320
Loan interest income	1,265	–	1,700	–
	21,001	19,537	43,888	40,320

3. LOSS FROM OPERATIONS

The Group's loss from operations is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Cost of sales	15,998	16,541	32,710	34,792
Depreciation on property, plant and equipment	421	259	713	518

4. TAXATION

No provision for Hong Kong profits tax has been made as the Group has no assessable profit in Hong Kong for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

No PRC enterprise income tax was charged for the six months ended 30 June 2015 as the PRC subsidiary of the Group have recorded loss (six months ended 30 June 2014: Nil).

There was no significant unprovided deferred taxation for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

Deferred tax had not been provided as there were no significant temporary differences at 30 June 2015 (six months ended 30 June 2014: Nil)

5. INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

6. 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\$16,103,000 (2014: loss approximately HK\$14,982,000) and the weighted average 354,892,120 (2014: 266,526,374 ordinary shares) ordinary shares in issue during the period.

There was no diluting event existing during the six months ended 30 June 2015 and 2014.

7. SEGMENT INFORMATION

The Group's reportable segments under HKFRS 8 are as follows:

- Provision of funeral services and sales of funeral related products
- Loan financing business

The following table presents revenue and results by the Group's operating segment for the six months ended 30 June 2015 and 2014 under review.

	Provision of funeral services and sales of funeral related products		Loan financing business		Total	
	2015	2014	2015	2014	2015	2014
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Segment revenue						
Sales to external customers	42,188	40,320	1,700	-	43,888	40,320
Segment results	9,546	5,528	1,632	-	11,178	5,528
Interest income					288	710
Unallocated corporate revenue					813	1,123
Corporate and other unallocated expenses					(15,233)	(21,407)
Finance costs					(12,061)	(1,653)
Share of result of an associate					(49)	-
Share of result of a joint venture					(591)	-
Loss before taxation					(15,655)	(15,699)
Taxation					-	7
Net Loss for the period					(15,655)	(15,692)

8. INVENTORIES

	As At 30 June 2015 HK\$'000 (Unaudited)	As At 31 December 2014 HK\$'000 (Audited)
Finished goods	174	171

9. TRADE RECEIVABLES

The average credit period on sales of goods is 30 days. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

An aging analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	As At 30 June 2015 HK\$'000 (Unaudited)	As At 31 December 2014 HK\$'000 (Audited)
0 – 30 days	–	–
31- 60 days	–	–
61- 90 days	–	–
91- 180 days	–	–
Over 180 days	254	245
	254	245

The Directors considered that the carrying values of trade receivables approximate their fair values.

10. LOANS RECEIVABLES

	As At 30 June 2015 HK\$'000 (Unaudited)	As At 31 December 2014 HK\$'000 (Audited)
Loans receivables – secured	2,595	–
Loans receivables – unsecured	17,696	18,449
Total loans receivables	20,291	18,449
Less: non-current portion	(6,704)	(7,156)
Current portion	13,587	11,293

The Group's loans receivables, which arise from the Loan Financing Business acquired during the period ended 30 June 2015, are denominated in Hong Kong dollars as at 30 June 2015.

10. LOANS RECEIVABLES *(Continued)*

Loans receivables are bear interest and are repayable with fixed terms ranged from 1 to 10 year agreed with the customers as at 30 June 2015. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the receivables mentioned above.

A maturity profile of the loans receivables net of impairment allowance as at the end of the reporting periods, based on the maturity date is as follows:

	As At 30 June 2015 HK\$'000 (Unaudited)	As At 31 December 2014 HK\$'000 (Audited)
Current	13,587	11,293
2 to 5 years	6,309	5,624
Over 5 years	395	1,532
	20,291	18,449

The credit quality of loans receivables that are neither past due nor impaired has been assessed by reference to historical information about counterparty default rates. The existing counterparties do not have defaults during the period.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Prepayments	1,139	865
Other deposits and receivables (Note (a))	46,720	46,818
Consideration receivable on disposal of subsidiaries (Note (b))	57,208	61,208
	105,067	108,891

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Note:

- (a) Other receivables of the Group mainly represents refundable deposit of amount to HK\$38,000,000 for proposed acquisition of Solaron Limited, please refer to management discussion and analysis section headed "VERY SUBSTANTIAL ACQUISITION".
- (b) Details of the transaction were set out in the Company's announcements dated 6 March 2013, 27 May 2013, 31 May 2013, the circular dated 8 May 2013, the third quarterly report dated 25 October 2013, the annual report dated 25 March 2015 and the first quarterly report dated 12 May 2015.

As of the date of this report, the Vendor has paid HK\$16,792,100. Despite that Vendor failed to make repayments as previously agreed, following the management's meeting and negotiations with the Vendor and in view of the Vendor's current financial difficulties and its sincere intention of settlement, the management has agreed with the Vendor to allow that the remaining balance of HK\$53,207,900 to be paid at or before the end of 2015.

In view of directors of the Company, the amount still receivable.

12. CASH AND BANK BALANCES

	As At 30 June 2015 HK\$'000 (Unaudited)	As At 31 December 2014 HK\$'000 (Audited)
Cash and bank balances	22,084	6,555

13. TRADE PAYABLES

An aging analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	As At 30 June 2015 HK\$'000 (Unaudited)	As At 31 December 2014 HK\$'000 (Audited)
0 – 30 days	172	68
31- 60 days	–	85
61- 90 days	–	–
91- 180 days	–	–
Over 180 days	132	131
	304	284

Trade payables are non-interest bearing and the Directors considered that the carrying values of trade payables approximate their fair values.

14. BORROWINGS

	As At 30 June 2015 HK\$'000 (Unaudited)	As At 31 December 2014 HK\$'000 (Audited)
Secured	–	30,000
Unsecured (Note (ii))	148,843	84,106
	148,843	114,106
Carrying amount repayable :		
Within one year	65,814	51,657
More than one year, but not exceeding two years	36,116	16,963
More than two years, but not exceeding five years	18,168	17,871
More than five years	28,745	27,615
	148,843	114,106
Less: Amounts shown under current liabilities	(65,814)	(51,657)
	83,029	62,449

Notes:

- (i) The amounts represent the loans from several independent third parties.
- (ii) As at 30 June 2015, the Group's unsecured borrowings carried effective interest rate of 3.13% to 39.59% per annum.

15. SHARE CAPITAL

Ordinary shares

	Par Value HK\$	Number of shares '000	Shares capital HK\$'000
Authorised:			
At 31 December 2014	0.1	5,000,000	500,000
At 1 January 2015	0.1	5,000,000	500,000
At 30 June 2015 (Unaudited)	0.1	5,000,000	500,000
Issued and fully paid:			
At 31 December 2014	0.1	354,892	35,489
At 1 January 2015	0.1	354,892	35,489
At 30 June 2015 (Unaudited)	0.1	354,892	35,489

16. FAIR VALUE MEASUREMENT

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from input other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

16. FAIR VALUE MEASUREMENT *(Continued)*

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

At 30 June 2015 (Unaudited)				
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Available-for-sale financial assets	679	–	–	679

At 31 December 2014 (Audited)				
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Available-for-sale financial assets	760	–	–	760

The fair value of the financial assets included in the level 1 above have been determined in accordance with quoted prices in active market.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in condensed consolidated financial statements approximately their fair values.

17. CONTINGENT LIABILITIES

The Group had no contingent liabilities at 30 June 2015.

18. MATERIAL RELATED PARTY TRANSACTIONS

The Group had no material related party transactions during the six months ended 30 June 2015 and 2014.

19. EVENTS AFTER THE REPORTING PERIOD

No significant subsequent event took place subsequent to 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group's reportable businesses during the half year ended 30 June 2015 (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\$43,888,000, representing an increase of 8.85% as compared to the same period last year, which was mainly due to an increase in the revenue from the funeral business and loan interest income of the Group. The Group's total unaudited loss during the Period amounted to approximately HK\$16,103,000.

Funeral Business

During the Period, the Group recorded total unaudited revenue of approximately HK\$42,188,000 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\$9,546,000, representing an increase of 72.68% from approximately HK\$5,528,000 for the same period last year. 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 had improved but remained at a low level.

With the development of operation and reputation over the past years, the performance of Grand Peace Funeral Parlour in Hung Hom, Hong Kong has improved. For the six months ended 30 June 2015, the Group's total unaudited revenue from the provision of funeral services and sale of funeral-related products amounted to approximately HK\$42,188,000, representing an increase of 4.63% as compared to approximately HK\$40,320,000 for the same period last year. 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 the Huidong County Huaqiao Cemetery. The preliminary infrastructure work of the Huidong cemetery (including the road landscaping and greening in the cemetery area) has substantially completed in the third quarter of 2014 and commenced trial operation. During the Period, the Group recorded no revenue from the Huidong cemetery and it contributed a net loss of approximately HK\$378,000, representing a decrease of approximately HK\$148,000 (28.14%) as compared to the net loss for the same period last year of approximately HK\$526,000 and mainly due to the fact the construction of the Huidong cemetery has not been 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 the Huidong cemetery.

Driven by the growth of its funeral business and the preliminary results of its cost control measures, the Group's funeral business recorded an unaudited net profit of approximately HK\$287,000 during the Period, turning into profit and representing an increase of approximately HK\$2,398,000 from net loss of approximately HK\$2,111,000 for the same period last year.

Loan Financing Business

Revenue from the loan financing business was mainly generated by a finance company indirectly wholly-owned by the Company, which holds a valid Money Lender Licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) qualifying for providing loan financing services to clients.

During the Period, the total unaudited interest income of the Group from providing loan financing services was approximately HK\$1,700,000, while the unaudited net profit was approximately HK\$650,000.

Elderly Home Business

惠州市福澤頤養服務有限公司, a joint venture company (the “**JV Company**”) established in the PRC by Most Fame (China) Limited (“**Most Fame**”), an indirect wholly-owned subsidiary of the Company, together with an independent third party, is principally engaged in the construction, management and operation of a social elderly nursing home in Huidong County, Huizhou, Guangdong Province, the PRC.

The JV Company will enable the JV parties to develop the business of operation of the social elderly nursing home in Guangdong Province, which will attract Hong Kong elderly people. We believe that the proposed elderly nursing home will bring synergistic effect to the cemetery operated by the Group in Huidong.

Since the elderly nursing home is currently still under construction, no income has been generated from the elderly nursing home business during the Period.

Prospects

The Group will continue to focus 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 (the “**Online Platform**”) for its business development.

The Company expects that, upon the launch of the Online Platform, the Company will offer 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 allow 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 elderlies living in the elderly home. It is expected that the Company could expand the scope of its elderly care and funeral services provided that these plans are materialised.

EMAX Venture Limited, a direct wholly-owned subsidiary of the Company, currently holds 25% of the issued shares of Miracle Power Limited ("**Miracle**"). The Group wishes to cooperate with Miracle to develop pet funeral business and expand into new business.

The Group will also continue to seek and identify other businesses that are conducive to bringing more robust profits, and form new 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 ACQUISITION

On 2 December 2014, Merit Vision Holdings Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Company, entered into a 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 (the "**Consideration**") (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, 24 April 2015, 29 May 2015 and 30 June 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 30 June 2015, cash and bank balances of the Group was approximately HK\$22,084,000. (as at 30 June 2014: approximately HK\$15,121,000).

As at 30 June 2015, the total borrowings of the Group amounted to approximately HK\$148,843,000 (2014: approximately HK\$53,000,000), representing unsecured bonds of HK\$148,843,000 at the effective interest rate ranged from 3.13% per annum to 39.59% per annum.

EMPLOYEES INFORMATION

As at 30 June 2015, the Group had employed 61 staffs (as at 30 June 2014: 57 staffs), they were remunerated in accordance with their performance and market condition. Other benefits available to eligible employees include retirement benefits and medical insurance schemes.

Total staff costs for the six months ended 30 June 2015 amounted to approximately HK\$5,918,000 (2014: approximately HK\$5,345,000).

The Group did not experience any significant labour dispute or substantial change in the number of its employees that led to any disruption of normal business operations. The Directors consider the Group's relationship with its employees to be good.

GEARING RATIO

As at 30 June 2015, the Group's gearing ratio was approximately 88.98% representing a percentage of the total borrowings over total equity attributable to the owners of the company (2014: approximately 24.95%).

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 June 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 six months ended 30 June 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 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 June 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\$0.1 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%

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 30 June 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 30 June 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 30 June 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	Note	Nature and capacity of interest	Number of ordinary shares held	Approximate percentage of the company's total issued capital
Substantial Shareholder				
True Allied Assets Limited	1, 2	Beneficial owner	36,618,484	10.32%

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 30 June 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 30 June 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 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 June 2015 (2014: 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.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) on 7 July 2000 with its written terms of reference pursuant to Rules 5.28 to 5.33 of the GEM Listing Rules. Approved by the Directors attending the Board meeting held on 1 March 2012, a new terms of reference were adopted by the Audit Committee, please refer to the announcement of the Company dated 12 March 2012 under the heading “Audit Committee Terms of Reference” for details. As at 30 June 2015, the Audit Committee comprised three members, namely Mr. LIU Qing Chen, Mr. ZHANG Chun Qiang and Ms. TAN Xiao Yan all being Independent Non-executive Directors of the Company.

The primary duties of the Audit Committee are to review and supervise the financial reporting process, audit plan and relationship with external auditors, the internal control systems of the Group and to provide advices and recommendations to the Board for review and follow-up. The Audit Committee has reviewed the Group’s interim results announcement and report for the six months ended 30 June 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.

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 six months ended 30 June 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 the 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 six months ended 30 June 2015.

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

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

For the six months ended 30 June 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 six months ended 30 June 2015.

RE-ELECTION OF DIRECTORS

At the annual general meeting of the Company held on 7 May 2015, all the incumbent Directors were re-elected as Directors by the shareholders of the Company.

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

Hong Kong, 11 August 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, Mr. LIU Qing Chen, Ms. TAN Xiao Yan and Mr. ZHANG Chun Qiang as independent non-executive Directors.