



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

**FIRST QUARTERLY REPORT 2016**

(Incorporated in Bermuda with limited liability)  
Stock Code : 08108

\* For identification purpose 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 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 2016 together with the comparative figures.

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

For the three months ended 31 March 2016

	Notes	Three months ended 31 March	
		2016 HK\$'000	2015 HK\$'000
Revenue	2	23,344	22,887
Cost of sales		(16,130)	(16,712)
Gross profit		7,214	6,175
Other revenue		1	1
Other income		4	812
Selling and distribution costs		(1,514)	(1,677)
Administrative expenses		(6,144)	(6,125)
Loss from operations		(439)	(814)
Finance costs		(7,442)	(6,498)
Share of results of an associate		–	(26)
Share of results of a joint venture		(309)	(116)
Loss before taxation		(8,190)	(7,454)
Taxation	3	(137)	–
Loss for the period		(8,327)	(7,454)
Attributable to:			
Owners of the Company		(8,889)	(8,104)
Non-controlling interests		562	650
		(8,327)	(7,454)

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

For the three months ended 31 March 2016

	Notes	Three months ended 31 March	
		2016 HK\$'000	2015 HK\$'000
Loss for the period		(8,327)	(7,454)
Interim dividend	4	–	–
Other comprehensive income for the period, net of tax			
Share of other comprehensive income of a joint venture		793	5
Total comprehensive loss for the period		(7,534)	(7,449)
Total comprehensive loss attributable to:			
Owners of the Company		(8,096)	(8,099)
Non-controlling interests		562	650
		(7,534)	(7,449)
		HK cents	HK cents
Loss per share			
– Basic and diluted	5	(2.5)	(2.28)

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

	Share Capital	Share Premium	Contributed Surplus	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
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 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
For the three months ended									
31 March 2016									
At 1 January 2016	35,489	347,887	36,000	-	(2,644)	(288,336)	128,396	(16,142)	112,254
Loss for the period	-	-	-	-	-	(8,889)	(8,889)	562	(8,327)
Other comprehensive income for the period	-	-	-	-	793	-	793	-	793
Total comprehensive loss for the period	-	-	-	-	793	(8,889)	(8,096)	562	(7,534)
At 31 March 2016	35,489	347,887	36,000	-	(1,851)	(297,225)	120,300	(15,580)	104,720

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 2016 are consistent with those adopted in the annual report of the Company for the year ended 31 December 2015.

## 2. REVENUE

The Group's revenue 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 revenue is as follows:

	<b>Three months ended 31 March</b>	
	<b>2016 HK\$'000 (Unaudited)</b>	2015 HK\$'000 (Unaudited)
Provision of funeral services and sale of funeral related products	<b>21,769</b>	22,452
Loan financing business	<b>1,575</b>	435
	<b>23,344</b>	22,887

### 3. TAXATION

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both periods.

No provision for PRC Enterprise Income Tax has been made for both periods as the Group have no assessable profits arising in the PRC.

No provision for Hong Kong Profits Tax has been made for the period ended 31 March 2015 as the Group has no assessable profits in Hong Kong.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof (2015: Nil).

	2016 HK\$'000	2015 HK\$'000
Current taxation – Hong Kong	137	–
Current taxation – PRC	–	–
Deferred taxation	–	–
Tax expense for the period	137	–

### 4. INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the three months ended 31 March 2016 (three months ended 31 March 2015: 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\$8,889,000 (2015: loss approximately HK\$8,104,000) and the weighted average 354,892,120 (2015: 354,892,120) ordinary shares in issue during the period.

There was no diluting event existing during the three months ended 31 March 2016 and 2015.

## 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 2016 (the “**Period**”).

### Business and Financial Review

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

The Group’s total operating revenue during the Period amounted to approximately HK\$23,344,000, representing a slight increase of 2% as compared to the same period last year, which was mainly driven by an increase in turnover from the loan financing business during the period. The total losses of the Group during the period was approximately HK\$8,327,000

### Funeral Business

During the Period, the Group recorded total revenue of approximately HK\$21,769,000 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\$5,639,000. 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.

For the three months ended 31 March 2016, the Group’s total unaudited revenue from the provision of funeral services and sale of funeral-related products amounted to approximately HK\$21,769,000, representing a slight decrease of 3% as compared to the same period last year of approximately HK\$22,452,000. The Group will continue to enhance promotion and advertising investment as well as personnel training to raise the utilisation of the 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 and commenced trial operation. During the Period, the Group recorded no revenue from the Huidong cemetery which contributed a net loss of approximately HK\$237,000, representing an increase of approximately HK\$98,000 (71%) as compared to the net loss for the same period last year of approximately HK\$139,000. The increase in net loss was mainly due to the fact the construction of the Huidong cemetery was not fully completed 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.



As the Group's funeral service business is still at the initial stage, the Group has not yet fully rolled out its sales network and the funeral parlour's facilities had not been fully utilized. As the costs (especially the rental payment to the Food and Environmental Hygiene Department) remained at a high level, the Group's funeral business recorded a net profit of approximately HK\$1,166,000 during the Period.

## LOAN FINANCING BUSINESS

Revenue from the loan financing business was mainly generated by a finance company, an indirect 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 unaudited total interest income of the Group from providing loan financing services was approximately HK\$1,575,000 representing an increase of 262% as compared to the same period last year of approximately HK\$435,000, while the unaudited net profit was approximately HK\$882,000, representing a turnaround of an increase of HK\$1,012,000 as compared to the net loss for the same period last year of approximately HK\$130,000, which was mainly due to the Group put more resources for its development.

## 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 enables 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 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 the Grand Peace Funeral Parlour and its funeral parlours in Huidong of China by way of enhancing personnel training, promotion and advertising investment.

In order to expand the Group's existing principal business in the Funeral Parlour and continue its existing principal business with the assets of the Funeral Parlour, on 29 January 2016, Merit Vision Holdings Limited (a wholly-owned subsidiary of the Company, the "**Purchaser**"), Mr. Kong Lung Cheung (the "**Vendor**"), and Solaron Limited (the "**Target Company**"), after arm's length negotiations, the Purchaser, the Target Company and the Vendor entered into an operating agreement (the "**Operating Agreement**") pursuant to which, the Target Company irrevocably agree to lease and procure lease of the properties of KFP, the Funeral Parlour operated by KFP and its related assets and operations (collectively, the "**Funeral Parlour Assets**") to the Purchaser and the Purchaser agree to lease the Funeral Parlour Assets (the "**Lease**"), both free from any encumbrance, for a fixed period of five years expiring on the date falling on the fifth anniversary of the commencement date of the Lease (the "**Term**"). In consideration of the Purchaser entering into the Operating Agreement, the Vendor irrevocably and unconditionally, as primary obligor, undertakes and guarantees the full, prompt and complete performance by the Target Company and KFP (as the case maybe) of all its obligations under the Operating Agreement. The commencement of the Lease, which shall take place on or before 31 August 2016, is conditional upon, among other things, the completion of the KFP Acquisition and the successful raising of not less than HK\$200,000,000 by the Company.

For more details, please refer to the announcements of the Company dated 8 January 2015, 30 June 2015, 30 September 2015 and 29 January 2016 respectively.

As at the date of this report, the Operating Agreement is still in progress.

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 able to 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 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 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 the above plan is materialised.

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 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 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 (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 29 January 2016, the very substantial acquisition was terminated by the execution of the termination agreement.

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, 30 June 2015, 31 August 2015, 30 September 2015, 30 October 2015 and 29 January 2016 respectively.

## PROPOSED OPEN OFFER AND ISSUE OF BONUS SHARES

On 11 March 2016, the Company and GEO Securities Limited entered into an underwriting agreement in relation to the underwriting arrangements in respect of the proposed open offer and issue of bonus shares (the “**Open Offer**”).

The Company proposes to raise not more than HK\$425,870,544, before expenses, by way of the Open Offer, by issuing 3,548,921,200 Offer Shares at a price of HK\$0.12 per Offer Share on the basis of ten Offer Shares for every existing Share held by the Qualifying Shareholders on the Record Date. The Open Offer will only be available to the Qualifying Shareholders.

Subject to the satisfaction of the conditions of the Open Offer, the Bonus Shares will be issued to the registered holders of the Offer Shares on the basis of one Bonus Share for every five Offer Shares taken up by the Qualifying Shareholders under the Open Offer. On the basis of 3,548,921,200 Offer Shares to be issued under the Open Offer, 709,784,240 Bonus Shares will be issued.

After deducting the estimated expenses relating to the Open Offer, the net proceeds from the Open Offer will amount to approximately HK\$409,000,000 (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date). The Company intends to use the net proceeds from the Open Offer of approximately HK\$409,000,000: (i) as to approximately HK\$157,000,000 for settlement the outstanding amount of the occupation fees under the Lease; (ii) as to approximately HK\$84,000,000 for the repayment of the liabilities of the Group, including (a) the principal amount and the associated interest payments of the bonds of the Company of approximately HK\$82,000,000 due in 2016 so as to reduce the gearing ratio of the Company and the related financing costs; and (b) other payables and accrued expenses of the Group of approximately HK\$2,000,000; (iii) as to approximately K\$56,000,000 as the lease payment for the remaining lease period of the Grand Peace Funeral Parlour of approximately one year; (iv) as to approximately HK\$40,000,000 for the potential investment of the Company in the field of funeral services or related business. (v) as to approximately HK\$36,000,000 as the principal amount for the money financing business of the Company; and/or (vi) the remaining balance for the general working capital of the Group including but not limited to the overhead expenses of the Group.

The Open Offer is subject to the approval at the special general meeting of the Company to be held on 13 June 2016 .

For details, please refer to the announcements of the Company dated 11 March 2016, 8 April 2016 and 4 May 2016 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 2016 cash and bank balances of the Group was approximately HK\$2,537,000(as at 31 March 2015: approximately HK\$12,585,000).

As at 31 March 2016, the total borrowings of the Group amounted to approximately HK\$174,465,000 (2015: approximately HK\$134,547,000), representing (i) unsecured bonds of HK\$154,465,000 at the effective interest rate ranged from 3.13% per annum to 28.75% per annum; and (ii) unsecured short term loan of HK\$20,000,000 at the effective interest rate 2% per month.

## 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 2016, 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 2016, 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 2016, 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 31 March 2016.
- (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 2016, 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 2016, 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 2016.
- (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 2016, 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 31 March 2016 (2015: Save as 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).

## 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 advisor 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 2016, 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 2016.

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 2016, 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 2016.

## AUDIT COMMITTEE

The Audit Committee has reviewed the Group's first quarterly results announcement and report for the three months ended 31 March 2016 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 2016

*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.*