



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

**Interim Report 2016**

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

\* For identification purpose only

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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 2016 together with the comparative figures.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2016

	Notes	Unaudited			
		Three months ended		Six months ended	
		30 June		30 June	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Turnover	2	22,596	21,001	45,940	43,888
Cost of sales		(16,300)	(15,998)	(32,430)	(32,710)
Gross profit		6,296	5,003	13,510	11,178
Other revenue		329	287	330	288
Other net gain and loss		1,043	1	1,047	813
Selling and distribution costs		(1,347)	(1,591)	(2,861)	(3,268)
Administrative expenses		(5,723)	(5,840)	(11,867)	(11,965)
Profit/(loss) from operations	3	598	(2,140)	159	(2,954)
Finance costs		(7,885)	(5,563)	(15,327)	(12,061)
Share of result of associates		(254)	(23)	(254)	(49)
Share of result of a joint venture		(298)	(475)	(607)	(591)
Loss before taxation		(7,839)	(8,201)	(16,029)	(15,655)
Taxation	4	(245)	–	(382)	–
Loss for the period		(8,084)	(8,201)	(16,411)	(15,655)
Attributable to:					
Owners of the Company		(8,388)	(7,999)	(17,277)	(16,103)
Non-controlling interests		304	(202)	866	448
		(8,084)	(8,201)	(16,411)	(15,655)

	Notes	Unaudited			
		Three months ended		Six months ended	
		30 June	30 June	30 June	30 June
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Loss for the period		(8,084)	(8,201)	(16,411)	(15,655)
Other comprehensive income/(loss) for the period, net of tax					
Exchange differences on translating foreign operations					
– Exchange differences arising during the period		(3,022)	1,191	(2,229)	1,196
		(3,022)	1,191	(2,229)	1,196
Total comprehensive loss for the period		(11,106)	(7,010)	(18,640)	(14,459)
Total comprehensive loss attributable to:					
Owners of the Company		(11,410)	(6,808)	(19,506)	(14,907)
Non-controlling interests		304	(202)	866	448
		(11,106)	(7,010)	(18,640)	(14,459)
Loss per share		HK cents	HK cents	HK cents	HK cents
– basic and diluted	6	(2.37)	(2.25)	(4.87)	(4.54)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		9,763	10,740
Intangible assets		85,061	86,673
Investment in a joint venture		23,041	22,879
Available-for-sale financial assets		55	55
Loan receivables	10	14,556	7,004
		<b>132,476</b>	127,351
<b>CURRENT ASSETS</b>			
Inventories	8	128	128
Trade receivables	9	229	232
Loan receivables	10	20,780	29,174
Prepayments, deposits and other receivables	11	104,234	101,979
Pledged bank deposits		29,020	29,239
Cash and bank balances	12	7,161	10,070
		<b>161,552</b>	170,822
<b>LESS: CURRENT LIABILITIES</b>			
Trade payables	13	115	261
Borrowings	14	96,792	83,031
Other payables and accruals		14,893	12,241
Receipts in advance		943	551
Tax payable		493	112
		<b>113,236</b>	96,196
<b>NET CURRENT ASSETS</b>		<b>48,316</b>	74,626
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>180,792</b>	201,977

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
<b>LESS: NON-CURRENT LIABILITIES</b>			
Borrowings	14	87,178	89,723
<b>NET ASSETS</b>			
<b>CAPITAL AND RESERVES</b>			
Share Capital	15	35,489	35,489
Reserves		73,401	92,907
<b>Total equity attributable to owners of the Company</b>			
Non-controlling interests		108,890 (15,276)	128,396 (16,142)
<b>Total equity</b>			
		93,614	112,254

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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
At 31 December 2014 and 1 January 2015 (Audited)	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 (Unaudited)	35,489	347,887	36,000	(491)	2,330	(253,931)	167,284	(14,556)	152,728
At 31 December 2015 (Audited) and 1 January 2016 (Unaudited)	35,489	347,887	36,000	-	(2,644)	(288,336)	128,396	(16,142)	112,254
Profit/(Loss) for the period	-	-	-	-	-	(17,277)	(17,277)	866	(16,411)
Cancellation of the share premium to the contributed surplus	-	(347,887)	347,887	-	-	-	-	-	-
Other comprehensive income for the period	-	-	-	-	(2,229)	-	(2,229)	-	(2,229)
Total comprehensive (expense)/ income for the period	-	(347,887)	347,887	-	(2,229)	(17,277)	(19,506)	866	(18,640)
At 30 June 2016 (Unaudited)	35,489	-	383,887	-	(4,873)	(305,613)	108,890	(15,276)	93,614

\* The cancellation of the credit of the share premium account and transfer of the amount to the contributed surplus account was passed at the special general meeting held on 13 June 2016.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June

	(Unaudited)	
	2016 HK\$'000	2015 HK\$'000
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES	(11,346)	(8,366)
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES	(2,779)	(10,762)
NET CASH INFLOWS FROM FINANCING ACTIVITIES	11,216	34,657
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,909)	15,529
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	10,070	6,555
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7,161	22,084
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	7,161	22,084



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

## 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 allowance for returns and trade discounts, during the period.

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

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Provision of funeral services and sale of funeral related products	20,923	19,736	42,692	42,188
Loan financing business	1,673	1,265	3,248	1,700
	22,596	21,001	45,940	43,888

### 3. PROFIT/(LOSS) FROM OPERATIONS

The Group's profit/(loss) from operations is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Cost of sales	16,300	15,998	32,430	32,710
Depreciation on property, plant and equipment	432	421	864	713

### 4. 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 30 June 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 (Unaudited)	2015 HK\$'000 (Unaudited)
Current taxation – Hong Kong	382	–
Current taxation – PRC	–	–
Deferred taxation	–	–
Tax expense for the period	382	–

### 5. INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2016 (six months ended 30 June 2015: 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\$17,277,000 (2015: approximately HK\$16,103,000) and the weighted average 354,892,120 (2015: 354,892,120 ordinary shares) ordinary shares in issue during the period.

There was no diluting event existing during the six months ended 30 June 2016 and 2015.

## 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 2016 and 2015 under review.

	Provision of funeral services and sales of funeral related products		Loan financing business		Total	
	2016	2015	2016	2015	2016	2015
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Segment revenue						
Sales to external customers	42,692	42,188	3,248	1,700	45,940	43,888
Segment results	10,282	9,546	3,228	1,632	13,510	11,178
Interest income					330	288
Unallocated corporate revenue					1,047	813
Corporate and other unallocated expenses					(14,728)	(15,233)
Finance costs					(15,327)	(12,061)
Share of result of associates					(254)	(49)
Share of result of a joint venture					(607)	(591)
Loss before taxation					(16,029)	(15,655)
Taxation					(382)	-
Net Loss for the period					(16,411)	(15,655)

## 8. INVENTORIES

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Finished goods	128	128

## 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 end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<b>As at 30 June 2016 HK\$'000 (Unaudited)</b>	As at 31 December 2015 HK\$'000 (Audited)
0 – 30 days	–	–
31 – 60 days	–	–
61 – 90 days	–	–
91 – 180 days	–	–
Over 180 days	<b>229</b>	232
	<b>229</b>	232

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

## 10. LOANS RECEIVABLES

	<b>As at 30 June 2016 HK\$'000 (Unaudited)</b>	As at 31 December 2015 HK\$'000 (Audited)
Loans receivables – secured	<b>3,283</b>	4,126
Loans receivables – unsecured	<b>32,053</b>	32,052
Total loans receivables	<b>35,336</b>	36,178
Less: non-current portion	<b>(14,556)</b>	(7,004)
Current portion	<b>20,780</b>	29,174

The Group's loans receivables, which arise from the Loan Financing Business acquired during the period ended 30 June 2016, are denominated in Hong Kong dollars as at 30 June 2016.

**10. LOANS RECEIVABLES** *(Continued)*

Loans receivables bear interest and are repayable with fixed terms ranged from 1 to 10 years agreed with the customers as at 30 June 2016. 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:

	<b>As at 30 June 2016 HK\$'000 (Unaudited)</b>	As at 31 December 2015 HK\$'000 (Audited)
Current	<b>20,780</b>	29,174
2 to 5 years	<b>11,848</b>	5,414
Over 5 years	<b>2,708</b>	1,590
	<b>35,336</b>	36,178

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**

	<b>As at 30 June 2016 HK\$'000 (Unaudited)</b>	As at 31 December 2015 HK\$'000 (Audited)
Prepayments	<b>1,976</b>	531
Other deposits and receivables (Note (a))	<b>47,707</b>	47,000
Consideration receivable on disposal of subsidiaries (Note (b))	<b>54,551</b>	54,448
	<b>104,234</b>	101,979

## 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" (2016: HK\$38,000,000).
- (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 the 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 2016.

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

## 12. CASH AND BANK BALANCES

	<b>As at 30 June 2016 HK\$'000 (Unaudited)</b>	As at 31 December 2015 HK\$'000 (Audited)
Cash and bank balances	<b>7,161</b>	10,070

### 13. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>As at 30 June 2016 HK\$'000 (Unaudited)</b>	As at 31 December 2015 HK\$'000 (Audited)
0 – 30 days	115	141
31– 60 days	–	–
61– 90 days	–	–
91– 159 days	–	–
Over 160 days	–	120
	<b>115</b>	<b>261</b>

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

### 14. BORROWINGS

	<b>As at 30 June 2016 HK\$'000 (Unaudited)</b>	As at 31 December 2015 HK\$'000 (Audited)
Unsecured (Note (ii))	<b>183,970</b>	172,754
	<b>183,970</b>	172,754
Carrying amount repayable:		
Within one year	<b>96,792</b>	83,031
More than one year, but not exceeding two years	<b>46,746</b>	50,740
More than two years, but not exceeding five years	<b>29,640</b>	9,107
More than five years	<b>10,792</b>	29,876
	<b>183,970</b>	172,754
Less: Amounts shown under current liabilities	<b>(96,792)</b>	(83,031)
	<b>87,178</b>	89,723

Notes:

- (i) The amounts represent the loans from several independent third parties.
- (ii) As at 30 June 2016, the Group's unsecured borrowings carried effective interest rate of 3.13% to 27.53% per annum.

## 15. SHARE CAPITAL

### Ordinary shares

	Par Value HK\$	Number of shares '000	Share capital HK\$'000
Authorised:			
At 31 December 2015 (Audited)	0.1	5,000,000	500,000
At 1 January 2016 (Unaudited)	0.1	5,000,000	500,000
At 30 June 2016 (Unaudited)	<b>0.1</b>	<b>10,000,000</b>	<b>1,000,000</b>
Issued and fully paid:			
At 31 December 2015 (Audited)	0.1	354,892	35,489
At 1 January 2016 (Unaudited)	0.1	354,892	35,489
At 30 June 2016 (Unaudited)	<b>0.1</b>	<b>354,892</b>	<b>35,489</b>

Note:

By an Ordinary Resolution passed on 13 June 2016 special general meeting, the authorised share capital of the Company increased from HK\$500,000,000 (5,000,000,000 shares at HK\$0.1 each of the Company) to HK\$1,000,000,000(10,000,000,000 shares)

## 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 2016 (Unaudited)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Financial assets</b>				
<b>Available-for-sale financial assets</b>	55	–	–	55

### At 31 December 2015 (Audited)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
Available-for-sale financial assets	55	–	–	55

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 2016.

## 18. MATERIAL RELATED PARTY TRANSACTIONS

The Group had no material related party transactions during the six months ended 30 June 2016 and 2015.

## 19. EVENTS AFTER THE REPORTING PERIOD

No significant subsequent event took place subsequent to 30 June 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND FINANCIAL REVIEW

The Group's principal businesses during the half year ended 30 June 2016 (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\$45,940,000, representing an increase of 4.68% as compared to the same period last year, which was mainly driven by an increase in revenue from the loan financing business during the period. The Group's total unaudited loss during the Period amounted to approximately HK\$16,411,000.

#### Funeral Business

During the Period, the Group recorded total unaudited revenue of approximately HK\$42,692,000 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\$10,282,000. 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 six months ended 30 June 2016, the Group's total unaudited revenue from the provision of funeral services and sale of funeral-related products amounted to approximately HK\$42,692,000, representing a slightly increase of 1.19% as compared to the same period last year of approximately HK\$42,188,000. 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 an unaudited net loss of approximately HK\$474,000, representing an increase of approximately HK\$96,000 (25.4%) as compared to the net loss for the same period last year of approximately HK\$378,000. The increase in net loss was mainly due to the fact that the construction of the Huidong cemetery has not been 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 the Huidong cemetery.

As the Group's funeral service business is still at the development 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 an unaudited net profit of approximately HK\$1,684,000 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\$3,248,000 representing an increase of 91% as compared to the same period last year of approximately HK\$1,700,000, while the unaudited net profit was approximately HK\$1,952,000 representing an increase of 200% as compared to the same period of last year of approximately HK\$650,000, 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 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 JV Company is still at the initial stage, 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 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.

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 was approved at the special general meeting of the Company held on 13 June 2016 .

For details, please refer to the announcements of the Company dated 11 March 2016, 8 April 2016, 4 May 2016, 13 May 2016, 17 May 2016, 8 June 2016, 30 June 2016, 4 July 2016, 5 July 2016, 13 July 2016, 1 August 2016 and 9 August 2016 respectively, the Circular dated 18 May 2016 and the Prospectus date 19 July 2016.

## **RESIGNATION OF AN EXECUTIVE DIRECTOR AND APPOINTMENT OF EXECUTIVE DIRECTORS**

Mr. Cheng Wai Keung resigned as an Executive Director in pursuit of his personal business and development with effect from 5 August 2016.

Mr. Ip Ka Ki and Ms. To Hoi Man have been appointed as Executive Directors with effect from 5 August 2016.

For details, please refer to the announcement of the Company dated 5 August 2016.

## **PROPOSED SHARE CONSOLIDATION**

The Board proposes that conditional upon and immediately after completion of the Open Offer and the issue of the Bonus Shares and conditional upon the trading price of the Shares being close to HK\$0.1 upon completion of the Open Offer and the issue of the Bonus Shares, the Company will implement the Share Consolidation on the basis that every ten (10) Shares of HK\$0.1 each in the issued and unissued share capital of the Company be consolidated into one (1) Consolidated Share of HK\$1.

The proposed share consolidation was approved at the special general meeting of the Company held on 13 June 2016.

The expected effective date of the proposed share consolidation is 11 August 2016.

For details, please refer to the announcements of the Company dated 11 March 2016, 8 April 2016, 4 May 2016, 13 May 2016, 17 May 2016, 8 June 2016, 30 June 2016, 4 July 2016, 5 July 2016, 13 July 2016, 1 August 2016 and 9 August 2016 respectively, the Circular dated 18 May 2016 and the Prospectus date 19 July 2016.

## CHANGE OF BOARD LOT SIZE

The Company proposes to change the board lot size for trading in the Shares on the Stock Exchange from 8,000 Shares (or 800 Consolidated Shares upon the Share Consolidation becoming effective) to 2,000 Consolidated Shares after and conditional upon the Share Consolidation becoming effective.

The expected effective date of the change of board lot size is 25 August 2016.

For details, please refer to the announcements of the Company dated 11 March 2016, 8 April 2016, 4 May 2016, 13 May 2016, 17 May 2016, 8 June 2016, 30 June 2016, 4 July 2016, 5 July 2016, 13 July 2016, 1 August 2016 and 9 August 2016 respectively, the Circular dated 18 May 2016 and the Prospectus date 19 July 2016.

## 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 2016, cash and bank balances of the Group was approximately HK\$7,161,000 (as at 30 June 2015: approximately HK\$22,084,000).

As at 30 June 2016, the total borrowings of the Group amounted to approximately HK\$183,970,000 (2015: approximately HK\$148,843,000), representing (i) unsecured bonds of HK\$163,970,000 at the effective interest rate ranged from 3.13% per annum to 27.53% per annum; and (ii) unsecured short term loan of HK\$20,000,000 at the effective interest rate 2% per month.

## EMPLOYEES INFORMATION

As at 30 June 2016, the Group had employed 55 staffs (as at 30 June 2015: 61 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 2016 amounted to approximately HK\$5,892,000 (2015: approximately HK\$5,918,000).

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 2016, the Group's gearing ratio was approximately 168.95% representing a percentage of the total borrowings over total equity attributable to the owners of the company (2015: approximately 88.98%).

## **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 30 June 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 six months ended 30 June 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 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 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%

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 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 30 June 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 30 June 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	Note	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%

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 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 30 June 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 30 June 2016 (2015: 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 end of reporting period.

## 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 22 March 2016, a new terms of reference were adopted by the Audit Committee, please refer to the announcement of the Company dated 22 March 2016 under the heading “Audit Committee Terms of Reference” for details. As at the day of this report, 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 and risk management 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 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.

## 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 nearly half of the seven-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 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 six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 2016.

## **RE-ELECTION OF DIRECTORS**

At the annual general meeting of the Company held on 6 May 2016, 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, 10 August 2016

*As at the date of this report, the Board comprises of Mr. LI Ge, Mr. SUN, Miguel, Mr. Ip Ka Ki and Ms. To Hoi Man as Executive Directors, Mr. LIU Qing Chen, Ms. TAN Xiao Yan and Mr. ZHANG Chun Qiang as Independent Non-executive Directors.*