



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

Third 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.

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “**Board**”) of Grand Peace Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months and nine months ended 30 September 2016 together with the comparative figures.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and nine months ended 30 September 2016

	Notes	Unaudited			
		Three months ended 30 September		Nine months ended 30 September	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	2	16,930	19,254	62,870	63,142
Cost of sales		(14,137)	(15,578)	(46,567)	(48,288)
Gross profit		2,793	3,676	16,303	14,854
Other revenue		–	4	330	292
Other net gain or loss		9	14	1,056	827
Selling and distribution costs		(1,250)	(1,545)	(4,111)	(4,813)
Administrative expenses		(6,590)	(6,811)	(18,457)	(18,776)
Loss from operations		(5,038)	(4,662)	(4,879)	(7,616)
Finance costs		(7,754)	(9,319)	(23,081)	(21,380)
Share of result of associates		–	(34)	(254)	(83)
Share of result of a joint venture		(289)	(282)	(896)	(873)
Loss before taxation		(13,081)	(14,297)	(29,110)	(29,952)
Taxation	3	(146)	–	(528)	–
Loss for the period		(13,227)	(14,297)	(29,638)	(29,952)
Attributable to:					
Owners of the Company		(12,157)	(13,633)	(29,434)	(29,736)
Non-controlling interests		(1,070)	(664)	(204)	(216)
		(13,227)	(14,297)	(29,638)	(29,952)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Unaudited			
		Three months ended		Nine months ended	
		30 September		30 September	
		2016	2015	2016	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period		(13,227)	(14,297)	(29,638)	(29,952)
Other comprehensive (loss)/income for the period, net of tax Items that may be reclassified subsequently to profit or loss:					
Change in fair value of available-for-sale financial assets		–	(362)	–	(362)
Exchange differences on translating foreign operations during the period		(621)	(150)	(2,850)	1,046
Other comprehensive (loss)/income for the period		(621)	(512)	(2,850)	684
Total comprehensive loss for the period		(13,848)	(14,809)	(32,488)	(29,268)
Total comprehensive loss attributable to:					
Owners of the Company		(12,778)	(14,145)	(32,284)	(29,052)
Non-controlling interests		(1,070)	(664)	(204)	(216)
		(13,848)	(14,809)	(32,488)	(29,268)
		HK cents	HK cents (restated)	HK cents	HK cents (restated)
Loss per share – basic and diluted	5	(8.91)	(23.21)	(21.57)	(50.63)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Available-for-sale financial assets revaluation reserve HK\$'000	Exchange reserve HK\$'000	(Accumulated losses) HK\$'000	Subtotal HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000
At 31 December 2014 (Audited) and 1 January 2015 (Unaudited)	35,489	347,887	36,000	(410)	1,134	(237,828)	182,272	(15,004)	167,268
Loss for the period	-	-	-	-	-	(29,736)	(29,736)	(216)	(29,952)
Other comprehensive income/(loss) for the period									
- Exchange difference arising during the period	-	-	-	-	1,046	-	1,046	-	1,046
- Change in fair value of Available-for-sale financial assets	-	-	-	(362)	-	-	(362)	-	(362)
Total comprehensive income/(loss) for the period	-	-	-	(362)	1,046	(29,736)	(29,052)	(216)	(29,268)
At 30 September 2015 (Unaudited)	35,489	347,887	36,000	(772)	2,180	(267,564)	153,220	(15,220)	138,000
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
Loss for the period	-	-	-	-	-	(29,434)	(29,434)	(204)	(29,638)
Other comprehensive loss for the period									
- Exchange differences arising during the period	-	-	-	-	(2,850)	-	(2,850)	-	(2,850)
Total comprehensive loss for the period	-	-	-	-	(2,850)	(29,434)	(32,284)	(204)	(32,488)
Cancellation of share premium account and transfer to the contributed surplus account	-	(347,887)	347,887	-	-	-	-	-	-
Issue of shares by open offer	354,892	70,978	(15,121)	-	-	-	410,749	-	410,749
Issue of shares by bonus shares	70,978	(70,978)	-	-	-	-	-	-	-
At 30 September 2016 (Unaudited)	461,359	-	368,766	-	(5,494)	(317,770)	506,861	(16,346)	490,515

Notes:

1. BASIS OF PREPARATION

The Group's unaudited third quarterly results have been prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants, 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 nine months ended 30 September 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 during the period 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.

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

	Three months ended 30 September		Nine months ended 30 September	
	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	15,393	18,100	58,085	60,288
Loan financing business	1,537	1,154	4,785	2,854
	16,930	19,254	62,870	63,142

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 30 September 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	528	–
Current taxation – PRC	–	–
Deferred taxation	–	–
Tax expense for the period	528	–

4. INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the nine months ended 30 September 2016 (nine months ended 30 September 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\$29,434,000 (2015: loss approximately HK\$29,736,000) and the weighted average 136,448,249 (2015: 58,734,646 ordinary shares (after adjusting the effects of the open offer, issue of bonus shares and share consolidation on 11 August 2016) ordinary shares in issue during the period.

There was no diluting event existing during the nine months ended 30 September 2016 and 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group's principal businesses for the nine months ended 30 September 2016 (the "Period") are the funeral business, loan financing business and elderly home business. The Group's total unaudited revenue during the Period amounted to approximately HK\$62,870,000, representing a slightly decrease of 0.43% as compared to the same period last year, which was mainly due to a decrease in revenue from the funeral business. The Group's total unaudited loss during the Period amounted to approximately HK\$29,638,000.

Funeral Business

During the Period, the Group recorded total unaudited revenue of approximately HK\$58,085,000 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\$11,541,000, representing a decrease of 4.62% as compared to the same period last year of approximately HK\$12,100,000. 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 remained at a low level.

For the nine months ended 30 September 2016, the Group's total unaudited revenue from the provision of funeral services and sale of funeral-related products in Hong Kong amounted to approximately HK\$58,085,000, representing a decrease of 3.65% as compared to the same period last year of approximately HK\$60,288,000. 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\$710,000, representing a decrease of approximately HK\$45,000 (5.96%) as compared to the net loss for the same period last year of approximately HK\$755,000. The 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.

During the Period, despite a decrease in revenue from the funeral business, the Group's funeral business recorded an unaudited net loss of approximately HK\$1,026,000, representing a decrease of approximately HK\$78,000 from net loss of approximately HK\$1,104,000 for the same period last year which is mainly driven by the preliminary results of its cost control measures.

Loan Financing Business

Revenue from the loan financing business was mainly generated by a finance company, an indirect wholly-owned subsidiary of 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\$4,785,000, representing an increase of approximately 67.66% as compared to the same period last year of approximately HK\$2,854,000, while the unaudited net profit was approximately HK\$2,711,000, representing an increase of approximately 198.9% as compared to the same period last year of approximately HK\$907,000, 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, 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 joint venture 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 social 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.

Earn Fine Limited, a direct wholly-owned subsidiary of the Company, currently holds 45% of the equity interest of YAT HO GROUP LIMITED (“**YAT HO**”). YAT HO is principally engaged in the provision of catering services in the form of private club, targeting at high-spending groups. The Group wishes to develop new customers for its funeral business while expanding into new business areas through investing in YAT HO. 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.

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**”).

Up to HK\$425,870,544, before expenses, has been raised in 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 was only available to the Qualifying Shareholders.

Subject to the satisfaction of the conditions of the Open Offer, the Bonus Shares were 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 were issued.

After deducting the estimated expenses relating to the Open Offer, the net proceeds from the Open Offer amount to approximately HK\$409,000,000. 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 HK\$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.

Dealings in the fully-paid offer shares and the bonus shares commenced on the Stock Exchange at 9:00 a.m. on 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, 18 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 of the Company dated 18 May 2016 and the Prospectus of the Company 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.

APPOINTMENT AND RESIGNATION OF INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHANGE OF CHAIRMAN AND MEMBERSHIP OF AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

Mr. Zhang Chun Qiang resigned as an Independent Non-Executive Director, a member of each of Audit Committee, Remuneration Committee and Nomination Committee in pursuit of his personal business and development with effect from 22 August 2016.

Mr. Liu Qing Chen resigned as the chairman of each of the Audit Committee, Remuneration Committee and Nomination Committee with effect from 22 August 2016.

Mr. Tam Yiu Cheung has been appointed as an Independent Non-Executive Director, a member and the chairman of each of the Audit Committee, Remuneration Committee and Nomination Committee with effect from 22 August 2016.

For details, please refer to the announcement of the Company dated 22 August 2016.

SHARE CONSOLIDATION

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 implemented 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 were consolidated into one (1) Consolidated Share of HK\$1.

The Share Consolidation was approved at the special general meeting of the Company held on 13 June 2016, and the effective date of the share consolidation was 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, 18 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 of the Company dated 18 May 2016 and the Prospectus of the Company dated 19 July 2016.

CHANGE OF BOARD LOT SIZE

The Company has changed 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 effective date of the change of board lot size was 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, 18 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 of the Company dated 18 May 2016 and the Prospectus of the Company date 19 July 2016.

ACQUISITION OF 45% OF THE EQUITY INTEREST OF YAT HO GROUP LIMITED (“TARGET COMPANY”)

On 30 September 2016, Earn Fine Limited (the “**Purchaser**”) , a direct wholly-owned subsidiary of the Company entered into a sale and purchase agreement with Ms. Wu XiQiong (the “**Vendor**”) and the Target Company, pursuant to which the Vendor shall sell as beneficial owner all of the sale shares and the Purchaser shall purchase, the sale shares at the consideration of HK\$25,000,000.

The sale shares, consisted of 4,500 shares of the Target Company, represents 45% of the equity interest of the Target Company.

On 30 September 2016, Completion has already taken place.

For details, please refer to the announcements of the Company dated 30 September 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 September 2016, cash and bank balances of the Group was approximately HK\$314,024,000. (as at September 2015: approximately HK\$18,489,000).

As at 30 September 2016, the total borrowing of the Group amounted to approximately HK\$170,901,000 (as at 30 September 2015: approximately HK\$172,342,000), representing unsecured bonds of HK\$170,901,000 at the effective interest rate ranged from 3% per annum to 27% per annum.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

As at 30 September 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 nine months ended 30 September 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 September 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\$1 each of the Company

Name of director	Number of shares held, capacity and nature of interest				Approximate percentage of the Company's total issued share capital	
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation (Note 2)	Beneficiary of a trust	Total (Note 3)	(Note 1)
Mr. Li Ge	20,871,240	–	47,604,029	–	68,475,269	14.84%

Notes:

- (1) The percentage is calculated by dividing the number of shares interested or deemed to be interested by the existing 461,359,756 issued shares as at 30 September 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.
- (3) On 3 August 2016, Mr. Li Ge and his beneficially owned company – True Allied Assets Limited, have pledged 68,475,269 (after adjusting the effects of the open offer, issue of bonus shares and share consolidation on 11 August 2016) ordinary shares of the Company in favour of Bravo Profit Holdings Limited, Chau's Holdings Company Limited, Cheng Family Investment Holdings Company Limited, Eminent Crest Holdings Limited, Peak Stand Holdings Limited, Sun Finance Company Limited, Mr. Chau Cheok Wa and Mr. Cheng Ting Kong as security for a loan facility provided by them.

Save as disclosed above, as at 30 September 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 September 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\$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	47,604,029	10.32%
Bravo Profit Holdings Limited	3	Security interest	68,475,269	14.84%
Chau's Holdings Company Limited	3	Security interest	68,475,269	14.84%
Cheng Family Investment Holdings Company Limited	3	Security interest	68,475,269	14.84%
Eminent Crest Holdings Limited	3	Security interest	68,475,269	14.84%
Peak Stand Holdings Limited	3	Security interest	68,475,269	14.84%
Sun Finance Company Limited	3	Security interest	68,475,269	14.84%
Chau Cheok Wa	3	Security interest	68,475,269	14.84%
Cheng Ting Kong	3	Security interest	68,475,269	14.84%

Note:

- (1) The percentage is calculated by dividing the number of shares interested or deemed to be interested by the existing 461,359,756 issued shares as at 30 September 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.
- (3) On 3 August 2016, Mr. Li Ge and his beneficially owned company – True Allied Assets Limited, have pledged 68,475,269 (after adjusting the effects of the open offer, issue of bonus shares and share consolidation on 11 August 2016) ordinary shares of the Company in favour of Bravo Profit Holdings Limited, Chau's Holdings Company Limited, Cheng Family Investment Holdings Company Limited, Eminent Crest Holdings Limited, Peak Stand Holdings Limited, Sun Finance Company Limited, Mr. Chau Cheok Wa and Mr. Cheng Ting Kong as security for a loan facility provided by them.

CHARGE ON GROUP'S ASSETS

Save as the pledged bank deposits, the Group did not have any other charge on its assets as at 30 September 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.

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 nine months ended 30 September 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 343,391 shares, representing 10% of 3,433,911 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, 10 June 2014 and 11 August 2016 respectively).

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

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

The Company has not grant any options under the Share Option Scheme for the nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2016.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's third quarterly results announcement and report for the nine months ended 30 September 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, 10 November 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. TAM Yiu Cheung, Mr. LIU Qing Chen and Ms. TAN Xiao Yan as Independent Non-executive Directors.