



INTERIM REPORT
2017

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

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

* 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.

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 2017 together with the comparative figures.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2017

	Notes	Unaudited			
		Three months ended 30 June		Six months ended 30 June	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Turnover	2	21,396	22,596	62,039	45,940
Cost of sales		(12,550)	(16,300)	(42,175)	(32,430)
Gross profit		8,846	6,296	19,864	13,510
Other revenue		–	329	960	330
Other net gain and loss		216	1,043	250	1,047
Fair value change of financial assets at fair value through profit or loss		(852)	–	(1,097)	–
Loss on disposal of an associate		(24)	–	(376)	–
Selling and distribution costs		(2,352)	(1,347)	(5,125)	(2,861)
Administrative expenses		(8,628)	(5,723)	(25,339)	(11,867)
(Loss)/Profit from operations	3	(2,794)	598	(10,863)	159
Finance costs		(7,635)	(7,885)	(15,384)	(15,327)
Share of results of associates		23	(254)	339	(254)
Share of results of a joint venture		(286)	(298)	(566)	(607)
Loss before taxation		(10,692)	(7,839)	(26,474)	(16,029)
Taxation	4	(473)	(245)	(1,253)	(382)
Loss for the period		(11,165)	(8,084)	(27,727)	(16,411)
Attributable to:					
Owners of the Company		(10,725)	(8,388)	(26,462)	(17,277)
Non-controlling interests		(440)	304	(1,265)	866
		(11,165)	(8,084)	(27,727)	(16,411)

	Notes	Unaudited			
		Three months ended		Six months ended	
		30 June		30 June	
		2017	2016	2017	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period		(11,165)	(8,084)	(27,727)	(16,411)
Other comprehensive income/(loss) for the period, net of tax					
Exchange differences arising during the period and share of other comprehensive income of a joint venture		501	(3,022)	1,282	(2,229)
		501	(3,022)	1,282	(2,229)
Total comprehensive loss for the period		(10,664)	(11,106)	(26,445)	(18,640)
Total comprehensive loss attributable to:					
Owners of the Company		(10,224)	(11,410)	(25,180)	(19,506)
Non-controlling interests		(440)	304	(1,265)	866
		(10,664)	(11,106)	(26,445)	(18,640)
Loss per share		HK cents	HK cents (Restated)	HK cents	HK cents (Restated)
– basic and diluted	6	(1.16)	(1.18)	(2.87)	(2.43)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		46,438	47,540
Intangible assets		83,016	78,430
Interests in associates		–	25,037
Interests in a joint venture		22,681	22,467
Available-for-sale financial assets		78	55
Long-term prepayment		133,250	152,750
Loan receivables	9	6,347	8,311
		291,810	334,590
CURRENT ASSETS			
Inventories	8	10,551	10,396
Loan receivables	9	102,890	77,178
Promissory note receivables	10	40,000	32,000
Financial assets at fair value through profit or loss		8,514	9,611
Prepayments, deposits and other receivables	11	169,295	114,759
Pledged bank deposits		–	14,716
Cash and bank balances	12	11,394	55,089
		342,644	313,749
LESS: CURRENT LIABILITIES			
Trade payables	13	306	320
Borrowings	14	127,679	121,888
Other payables and accruals		31,712	21,027
Receipts in advance		4	630
Tax payable		1,794	541
		161,495	144,406
NET CURRENT ASSETS		181,149	169,343
TOTAL ASSETS LESS CURRENT LIABILITIES		472,959	503,933

	Notes	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
LESS: NON-CURRENT LIABILITIES			
Borrowings	14	42,049	46,641
NET ASSETS		430,910	457,292
CAPITAL AND RESERVES			
Share Capital	15	461,360	461,360
Reserves		(8,553)	16,627
Total equity attributable to owners of the Company		452,807	477,987
Non-controlling interests		(21,897)	(20,695)
Total equity		430,910	457,292

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Contributed surplus	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
At 31 December 2015 and 1 January 2016 (Audited)	35,489	347,887	36,000	(2,644)	(288,336)	128,396	(16,142)	112,254
(Loss)/Profit 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
At 31 December 2016 (Audited) and 1 January 2017 (Unaudited)	461,360	-	368,178	(9,516)	(342,035)	477,987	(20,695)	457,292
Loss for the period	-	-	-	-	(26,462)	(26,462)	(1,265)	(27,727)
Other comprehensive income for the period	-	-	-	1,282	-	1,282	-	1,282
Total comprehensive Income/ (expense) for the period	-	-	-	1,282	(26,462)	(25,180)	(1,265)	(26,445)
Acquisition a subsidiary	-	-	-	-	-	-	63	63
At 30 June 2017 (Unaudited)	461,360	-	368,178	(8,234)	(368,497)	452,807	(21,897)	430,910

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

For the six months ended 30 June

	2017 HK\$'000	2016 HK\$'000
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES	(80,344)	(11,346)
NET CASH INFLOWS/(OUTFLOWS) FROM INVESTING ACTIVITIES	35,450	(2,779)
NET CASH INFLOWS FROM FINANCING ACTIVITIES	1,199	11,216
NET DECREASE IN CASH AND CASH EQUIVALENTS	(43,695)	(2,909)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	55,089	10,070
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	11,394	7,161
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	11,394	7,161

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 2017 are consistent with those adopted in the annual report of the Company for the year ended 31 December 2016.

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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Provision of funeral services and sale of funeral related products	20,512	20,923	57,046	42,692
Loan financing business	884	1,673	4,993	3,248
	21,396	22,596	62,039	45,940

3. (LOSS)/PROFIT FROM OPERATIONS

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

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$000 (Unaudited)	2016 HK\$'000 (Unaudited)
Cost of sales	12,550	16,300	42,175	32,430
Depreciation on property, plant and equipment	721	432	1,348	864

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.

	2017 HK\$'000	2016 HK\$'000
Current taxation – Hong Kong	1,253	382
Current taxation – PRC	–	–
Deferred taxation	–	–
Tax expense for the period	1,253	382

5. INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2017 (six months ended 30 June 2016: 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\$26,462,000 (2016: loss approximately HK\$17,277,000) and the weighted average 922,719,512 (2016: 709,784,240 ordinary shares (after adjusting the effects of the share sub-division on 13 April 2017) ordinary shares in issue during the period.

There was no diluting event existing during the six months ended 30 June 2017 and 2016.

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 2017 and 2016 under review.

	Provision of funeral services and sales of funeral related products		Loan financing business		Total	
	2017	2016	2017	2016	2017	2016
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Segment revenue						
Sales to external customers	57,046	42,692	4,993	3,248	62,039	45,940
Segment results	14,877	10,282	4,987	3,228	19,864	13,510
Interest income					960	330
Unallocated corporate revenue					250	1,047
Fair value change of financial assets at fair value through profit or loss					(1,097)	-
Loss on disposal of an associate					(376)	-
Corporate and other unallocated expenses					(30,464)	(14,728)
Finance costs					(15,384)	(15,327)
Share of result of associates					339	(254)
Share of result of a joint venture					(566)	(607)
Loss before taxation					(26,474)	(16,029)
Taxation					(1,253)	(382)
Loss for the period					(27,727)	(16,411)

8. INVENTORIES

	As At 30 June 2017 HK\$'000 (Unaudited)	As At 31 December 2016 HK\$'000 (Audited)
Finished goods	10,551	10,396

9. LOAN RECEIVABLES

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Loan receivables – secured	18,852	3,698
Loan receivables – unsecured	90,385	81,791
Total loan receivables	109,237	85,489
Less: non-current portion	(6,347)	(8,311)
Current portion	102,890	77,178

The Group's loan receivables, which arise from the Loan Financing Business acquired during the period ended 30 June 2017, are denominated in Hong Kong dollars as at 30 June 2017.

Loan receivables bear interest and are repayable with fixed terms ranged from 1 to 10 years agreed with the customers as at 30 June 2017. 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 loan receivables net of impairment allowance as at the end of the reporting periods, based on the maturity date is as follows:

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Current	102,890	77,178
2 to 5 years	3,324	5,624
Over 5 years	3,023	2,687
	109,237	85,489

The credit quality of loan 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.

10. PROMISSORY NOTE RECEIVABLES

During the period ended 30 June 2017, the Company hold the promissory notes with principal amounts of HK\$40,000,000 (year ended 31 December 2016 HK\$32,000,000), which bear interest of 12% per annum.

More details regarding for this promissory note receivables is set out in the section headed "SUBSCRIPTION OF PROMISSORY NOTE" under Management Discussion and Analysis.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Prepayments (Note (a))	44,149	44,667
Other deposits and receivables	78,051	16,884
Consideration receivable on disposal of subsidiaries (Note (b))	47,095	53,208
	169,295	114,759

Note:

- (a) As at 31 December 2016, the prepayments mainly represents current portion occupation fee prepayment of HK\$39,000,000 for leasing the funeral parlour of Kowloon Funeral Parlour.

As at 30 June 2017, the prepayments mainly represents current portion occupation fee prepayment of HK\$39,000,000 for leasing the funeral parlour of Kowloon Funeral Parlour.

- (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\$22,905,380. Despite that Vendor failed to make repayments as previously agreed, following the management's meeting and negotiations with the Vendor and in view of the Vendor's current financial difficulties and its sincere intention of settlement, the management has agreed with the Vendor to allow that the remaining balance of HK\$47,094,620 to be paid at or before the end of 2017.

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

12. CASH AND BANK BALANCES

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Cash and bank balances	11,394	55,089

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:

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
0 - 30 days	–	208
31 - 60 days	–	–
Over 60 days	306	112
	306	320

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

14. BORROWINGS

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Unsecured (Note (ii))	169,728	168,529
	169,728	168,529
Carrying amount repayable:		
Within one year	127,679	121,888
More than one year, but not exceeding two years	22,755	28,281
More than two years, but not exceeding five years	19,294	7,021
More than five years	–	11,339
	169,728	168,529
Less: Amounts shown under current liabilities	(127,679)	(121,888)
	42,049	46,641

Notes:

- (i) The amounts represent the loans from several independent third parties.
- (ii) As at 30 June 2017, the Group's unsecured borrowings carried effective interest rate of 7.05% to 27.06% per annum.

15. SHARE CAPITAL**Ordinary shares**

	Par Value HK\$	Number of shares '000	Shares capital HK\$ '000
Authorised:			
At 31 December 2016 (Audited)	1	1,000,000	1,000,000
At 1 January 2017 (Unaudited)	1	1,000,000	1,000,000
Share sub-division (Note (i))		1,000,000	–
At 30 June 2017 (Unaudited)	0.5	2,000,000	1,000,000
Issued and fully paid:			
At 31 December 2016 (Audited)	1	461,360	461,360
At 1 January 2017 (Unaudited)	1	461,360	461,360
Share sub-division (Note (i))		461,360	–
At 30 June 2017 (Unaudited)	0.5	922,720	461,360

Note:

- (i) On 13 April 2017, the Company implemented share sub-division on the basis that every one share of HK\$1 each into two sub-divided shares of HK\$0.5 each.

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
- 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).

16. FAIR VALUE MEASUREMENT *(Continued)*

	At 30 June 2017 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
Available-for-sale financial assets	78	–	–	78

	At 31 December 2016 (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 the financial assets and the financial liabilities recorded at amortised costs in the condensed consolidated financial statements approximately their fair values.

17. CONTINGENT LIABILITIES

The Group had no contingent liabilities at 30 June 2017.

18. MATERIAL RELATED PARTY TRANSACTIONS

The Group had no material related party transactions during the six months ended 30 June 2017 and 2016.

19. EVENTS AFTER THE REPORTING PERIOD

No significant subsequent event took place subsequent to 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group's principal businesses during the half year ended 30 June 2017 (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\$62,039,000, representing an increase of 35.04% as compared to the same period last year, which was mainly driven by integrating of the turnover of the Kowloon Funeral Parlour (the "KFP") during the Period and the increase of the turnover of the loan financing business during the Period. The Group's total unaudited loss during the Period amounted to approximately HK\$27,727,000.

Funeral Business

During the Period, the Group recorded total revenue of approximately HK\$57,046,000 from the provision of funeral services and sale of funeral-related products and an unaudited gross profit of approximately HK\$14,877,000. 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 the Grand Peace Funeral Parlour), the total revenue of the funeral business still did not balance the cost.

In accordance with the agreement entered by the South China Memorial Park & Funeral Service Limited (a subsidiary of the Group, which has 60% of its equity interest) and the Hong Kong Special Administrative Region Government at the beginning of 2012, Grand Peace Funeral Parlour was authorised to provide funeral services and was granted the right to operate, manage and maintain the public funeral parlour at Cheong Hang Road, Hung Hom ("Right"), which was expired on 31 March 2017. For the six months ended 30 June 2017, the Group recorded an unaudited total revenue of approximately HK\$18,902,000 from the provision of funeral-related services and sale of funeral related products in the Grand Peace Funeral Parlour in Hung Hom, Hong Kong, representing a decrease of 55.72% as compared to the same period last year of approximately HK\$42,692,000. The gross profit amounted to approximately HK\$1,555,000 and the net loss was approximately HK\$3,089,000, representing a turnaround of approximately HK\$5,248,000 as compared to the net profit for the same period last year of approximately HK\$2,159,000. It was mostly due to lower turnover, higher operating costs and the termination of operation since 1 April 2017 after the expiry of the Right of the Grand Peace Funeral Parlour. No operating revenue has been generated from the Grand Peace Funeral Parlour from April to June during the Period as compared to the same period last year.

As published on the website of the Food and Environmental Hygiene Department of Hong Kong, after the expiry of the Right, on-site maintenance works will be carried out in the Grand Peace Funeral Parlour and are expected to be completed in about a year. The Company will consider actively participating in the next tender of the Grand Peace Parlour when it is open for tender again.

In order to sustain and expand the Company's existing principal business in the Funeral Parlour, on 29 January 2016, Merit Vision Holdings Limited ("**Merit**", a wholly-owned subsidiary of the Group) entered into an operating agreement in respect of KFP with Solaron Limited and Mr. Kong Lung Cheung, for a fixed period of five years (the "**Lease**") expiring on the date falling on the fifth anniversary of the commencement date of the Lease (the "**Term**"). The occupancy fee for the Term is HK \$195,000,000. Merit commenced the Lease in late 2016.

For the six months ended 30 June 2017, the Group recorded an unaudited total revenue of approximately HK\$37,654,000 from the provision of funeral-related services and sale of funeral related products in the KFP, gross profit of approximately HK\$13,356,000 and net profit of approximately HK\$3,457,000. As the KFP has just commenced its operation, the Group will continue to enhance promotion and advertising investment as well as personnel training to raise the utilisation of the KFP, 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 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 an unaudited total revenue of approximately HK\$440,000 from the provision of funeral-related services and sale of funeral related products in the Huidong cemetery and the gross profit of approximately HK\$22,000. The net loss was approximately HK\$1,921,000, representing an increase of approximately HK\$1,447,000 as compared to the unaudited net loss for the same period last year of approximately HK\$474,000. 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.

From 2 March 2017 to 30 June 2017, the Group recorded an unaudited revenue of approximately HK\$50,000 from the sale of funeral related paper products offered by Athena Papercrafts Limited (a subsidiary of the Group, which has 75% of its equity interest), gross loss of approximately HK\$56,000 and unaudited net loss of approximately HK\$137,000. As the paper product trading business is still at an initial stage, the Group will put more effort on controlling costs and increasing sales.

Loan Financing Business

Revenue from the loan financing business was mainly generated by a finance company indirectly wholly-owned by the Company, which holds a valid Money Lender License 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 derived from providing loan financing services was approximately HK\$4,993,000, representing an increase of 53.73% as compared to the same period last year of approximately HK\$3,248,000. The unaudited net profit was approximately HK\$2,938,000, representing an increase of 50.51% as compared to the net profit for the same period last year of approximately HK\$1,952,000, 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 the Guangdong Province, which will attract Hong Kong elderly. 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 in the initial stage and is not widely recognised by the market, 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 Tai Kok Tsui, Kowloon 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 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.

ACQUISITION OF 75% OF THE EQUITY INTEREST OF ATHENA PAPERCRAFTS LIMITED (“TARGET COMPANY”)

On 2 March 2017, The Shrine of Nansha Limited (the “**Purchaser**”), an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with three independent third parties (the “**Vendor**”), 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\$3,900,000.

The Sale Shares, consisting of 75,000 shares of the Target Company, represents 75% equity interest in the Target Company.

On 2 March 2017, Completion has already taken place.

DISPOSAL OF 45% EQUITY INTEREST IN YAT HO GROUP LIMITED (“TARGET COMPANY”)

On 24 March 2017, Earn Fine Limited (the “**Vendor**”), a direct wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Ms. Wu XiQiong (the “**Purchaser**”) and Yat Ho Group Limited, a company which provides catering services (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, consisting of 4,500 shares of the Target Company, represents 45% equity interest in the Target Company.

On 31 March 2017, Completion has already taken place.

For details, please refer to the announcement of the Company dated 24 March 2017.

SHARE SUB-DIVISION

On 27 March 2017, the Board proposes to sub-divide each existing issued and unissued Share of HK\$1 each of the Company into two (2) Sub-divided Shares of HK\$0.5 each.

The Share Sub-division is conditional upon:

- (a) the passing of an ordinary resolution to approve the Share Sub-division by the Shareholders at the special general meeting; and
- (b) the GEM Listing Committee granting approval to the listing of, and permission to deal in, the Sub-divided Shares, and any Sub-divided Shares which may be issued pursuant to the exercise of the Share Options to be granted under the Share Option Scheme.

The Share Subdivision was approved at the special general meeting of the Company held on 13 April 2017.

As all of the conditions as stated in the Circular have been fulfilled as at the 13 April 2017, the Share Subdivision had been effective on Tuesday, 18 April 2017, as set out in the expected timetable in relation to the proposed Share Subdivision in the Circular.

Dealing in the Subdivided Shares commenced on the Stock Exchange at 9:00 a.m. on Tuesday, 18 April 2017.

For details, please refer to the circular of the Company dated 27 March 2017 and the announcements of the Company dated 17 March 2017 and 13 April 2017.

SUBSCRIPTION OF PROMISSORY NOTE

On 20 April 2017, the Company subscribed for the Promissory Notes issued by Kirin Group Holding Limited ("**Kirin**") in the principal amount of HK\$8,000,000 at the Consideration of HK\$8,000,000 (the "**2017 Subscription**"). The maturity date of the Promissory Note is 5 September 2017.

On 7 September 2016, the Company subscribed for a promissory note issued by Kirin in the principal amount of HK\$32,000,000 at an interest rate of 12% per annum (the "**2016 subscription**"). The maturity date of the 2016 Promissory Note was 6 March 2017 which was subsequently extended to 5 September 2017.

The relevant applicable percentage ratios (as defined under the GEM Listing Rules) for the Subscription are less than 5% and therefore the Subscription does not constitute a discloseable transaction of the Company and is not subject to any disclosure requirements pursuant to Chapter 19 of the GEM Listing Rules.

Nevertheless, pursuant to Rule 19.22 of the GEM Listing Rules, the 2016 Subscription and the 2017 Subscription shall be aggregated as if they were one transaction. As the relevant applicable percentage ratios (as defined under the GEM Listing Rules) for the aggregate value of the 2016 Subscription and the 2017 Subscription exceed 5% but all are less than 25%, the 2017 Subscription together with the 2016 Subscription constitutes a discloseable transaction and is therefore subject to the notification and announcement requirements under the GEM Listing Rules.

For details, please refer to the announcement of the Company dated 20 April 2017.

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 2017, cash and bank balances of the Group was approximately HK\$11,394,000 (as at 30 June 2016: approximately HK\$7,161,000).

As at 30 June 2017, the total borrowings of the Group amounted to approximately HK\$169,728,000 (as at 30 June 2016: approximately HK\$183,970,000), representing unsecured bonds of HK\$169,728,000 at the effective interest rate ranged from 7.05% per annum to 27.06% per annum.

EMPLOYEES INFORMATION

As at 30 June 2017, the Group had employed 70 staffs (as at 30 June 2016: 55 staffs), who 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 2017 amounted to approximately HK\$15,484,000 (as at 30 June 2016: approximately HK\$5,892,000).

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 2017, the Group's gearing ratio was approximately 37.48% representing a percentage of the total borrowings over total equity attributable to the owners of the company (As at 30 June 2016: approximately 168.95%).

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 2017, 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 2017, 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 2017 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\$0.5 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	Beneficiary of a trust		
-	-	-	-	-	-	-

Note:

- (1) The percentage is calculated by dividing the number of shares interested or deemed to be interested by the existing 922,719,512 issued shares as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, 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 2017, 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\$0.5 each of the Company

Name	Nature and capacity of interest	Number of ordinary shares held	Approximate percentage of the company's total issued capital (Note 1)
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Substantial Shareholder

-	-	-	-
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Note:

- (1) The percentage is calculated by dividing the number of shares interested or deemed to be interested by the existing 922,719,512 issued shares as at 30 June 2017.

As at 30 June 2017, 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

The Group did not have any charge on its assets as at 30 June 2017 (2016: 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. Tam Yiu Cheung, Mr. Liu Qing Chen 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 2017 and provided advices and recommendations to the Board. After the review of the financial statements, the members of the Audit Committee opined that such statements comply with the applicable accounting standards, the GEM Listing Rules and other applicable laws and regulations and that adequate disclosure had been made.

CORPORATE GOVERNANCE PRACTICES

Mr. Li Ge ("**Mr. Li**") assumes the roles of both the chairman and the chief executive officer of the Company. While serving as the chairman of the Group, Mr. Li leads the Board and is responsible for the proceedings and workings of the Board. He ensures that:

- the Board acts in the best interests of the Group; and
- the Board functions effectively, and that all key and appropriate issues are properly briefed to and discussed by the Board.

The Group deviates from Code Provision A.2.1 of the CG Code. The roles of chairman and chief executive officer of the Group rests on the same individual without having a clear division of responsibilities. However, the Board is of the view that, such non-compliance does not compromise accountability and independent decision making for the following reasons:

- the three Independent Non-executive Directors form half of the six-member Board;
- the Audit Committee, the 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, who 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 2017, 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 686,782 shares, representing 10% of 6,867,822 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 and the Share Sub-division effective on 18 April 2017).

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 2017.

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 2017, 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 2017.

RE-ELECTION OF DIRECTORS

At the annual general meeting of the Company held on 10 May 2017, 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, 9 August 2017

As at the date of this report, the Board comprises of Mr. LI Ge, Mr. SUN, Miguel and Mr. CHENG Wai Keung as Executive Directors, Mr. TAM Yiu Cheung, Mr. LIU Qing Chen and Ms. TAN Xiao Yan as Independent Non-executive Directors.