



THIRD QUARTERLY 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

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE “GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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 2017 together with the comparative figures.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2017

	Notes	Unaudited			
		Three months ended 30 September		Nine months ended 30 September	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Turnover	2	21,850	16,930	83,889	62,870
Cost of sales		(12,206)	(14,137)	(54,381)	(46,567)
Gross profit		9,644	2,793	29,508	16,303
Other revenue		2,010	–	2,970	330
Other net (loss) or gain		(1,798)	9	(1,548)	1,056
Fair value change of financial assets at fair value through profit or loss		8,388	–	7,291	–
Loss on disposal of an associate		–	–	(376)	–
Selling and distribution costs		(1,703)	(1,250)	(6,828)	(4,111)
Administrative expenses		(8,155)	(6,590)	(33,494)	(18,457)
Profit/(Loss) from operations		8,386	(5,038)	(2,477)	(4,879)
Finance costs		(7,509)	(7,754)	(22,893)	(23,081)
Share of result of associates		–	–	339	(254)
Share of result of a joint venture		(272)	(289)	(838)	(896)
Profit/(Loss) before taxation		605	(13,081)	(25,869)	(29,110)
Taxation	3	(752)	(146)	(2,005)	(528)
Loss for the period		(147)	(13,227)	(27,874)	(29,638)
Attributable to:					
Owners of the Company		122	(12,157)	(26,340)	(29,434)
Non-controlling interests		(269)	(1,070)	(1,534)	(204)
		(147)	(13,227)	(27,874)	(29,638)

	Note	Unaudited			
		Three months ended		Nine months ended	
		30 September		30 September	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Loss for the period		(147)	(13,227)	(27,874)	(29,638)
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		4,160	(621)	5,442	(2,850)
		4,160	(621)	5,442	(2,850)
Other comprehensive income/(loss) for the period		4,013	(13,848)	(22,432)	(32,488)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		4,282	(12,778)	(20,898)	(32,284)
Non-controlling interests		(269)	(1,070)	(1,534)	(204)
		4,013	(13,848)	(22,432)	(32,488)
Earnings/(Loss) per share		HK cents	HK cents (restated)	HK cents	HK cents (restated)
– basic and diluted	5	0.01	(4.45)	(2.85)	(10.79)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus 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 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
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	-	-	-	-	(26,340)	(26,340)	(1,534)	(27,874)
Other comprehensive income for the period	-	-	-	5,442	-	5,442	-	5,442
Total comprehensive income/(expense) for the period	-	-	-	5,442	(26,340)	(20,898)	(1,534)	(22,432)
Acquisition of a subsidiary	-	-	-	-	-	-	63	63
At 30 September 2017 (Unaudited)	461,360	-	368,178	(4,074)	(368,375)	457,089	(22,166)	434,923

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 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 allowances for returns and trade discounts, during the period.

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

	Three months ended 30 September		Nine months ended 30 September	
	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	21,058	15,393	78,104	58,085
Loan financing business	792	1,537	5,785	4,785
	21,850	16,930	83,889	62,870

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.

	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current taxation – Hong Kong	2,005	528
Current taxation – PRC	–	–
Deferred taxation	–	–
Tax expense for the period	2,005	528

4. INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the nine months ended 30 September 2017 (nine months ended 30 September 2016: Nil).

5. EARNINGS/(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\$26,340,000 (2016: loss approximately HK\$29,434,000) and the weighted average 922,719,512 (2016: 272,896,498 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 nine months ended 30 September 2017 and 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group's principal businesses during the nine months ended 30 September 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\$83,889,000 representing an increase of 33.43% 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\$27,874,000.

Funeral Business

During the Period, the Group recorded total unaudited revenue of approximately HK\$78,104,000 from the provision of funeral services and sale of funeral-related products in Hong Kong and Mainland China, representing an increase of 34.47% as compared to the same period last year of approximately HK\$58,085,000, and a gross profit of approximately HK\$23,729,000, representing an increase of 105.61% as compared to the same period last year of approximately HK\$11,541,000. It was mainly due to the increase in turnover and the decrease in the cost of funeral business operations.

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 nine months ended 30 September 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 67.46% as compared to the same period last year of approximately HK\$58,085,000. 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 September 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 providing funeral services, 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 nine months ended 30 September 2017, the Group recorded an unaudited total revenue of approximately HK\$58,677,000 from the provision of funeral-related services and sale of funeral related products in the KFP, gross profit of approximately HK\$22,256,000 and net profit of approximately HK\$7,138,000. 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\$438,000 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\$2,983,000, representing an increase of approximately HK\$2,273,000 as compared to the unaudited net loss for the same period last year of approximately HK\$710,000. 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 September 2017, the Group recorded an unaudited revenue of approximately HK\$87,000 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\$103,000 and unaudited net loss of approximately HK\$256,000. 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\$5,785,000, representing an increase of approximately 20.9% as compared to the same period last year of approximately HK\$4,785,000. The unaudited net profit was approximately HK\$3,082,000, representing an increase of approximately 13.68% as compared to the net profit for the same period last year of approximately HK\$2,711,000, 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.

For the nine months ended 30 September 2017, Ms. Wu XiQiong has altogether paid HK\$3,000,000. The Company is still in the process of collecting the outstanding amount and may take legal action to recover the outstanding amount if necessary.

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.

The Promissory Note has already expired on 5 September 2017. For the nine months ended 30 September 2017, Kirin has altogether paid HK\$10,000,000. The Company is still in the process of collecting the outstanding amount and may take legal action to recover the outstanding amount if necessary.

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 2017, cash and bank balances of the Group was approximately HK\$27,895,000 (as at 30 September 2016: approximately HK\$314,024,000).

As at 30 September 2017, the total borrowing of the Group amounted to approximately HK\$174,929,000 (as at 30 September 2016: approximately HK\$170,901,000), representing unsecured bonds of HK\$174,929,000 at the effective interest rate ranged from 7.05% per annum to 23.53% per annum.

During the Period, the Company had entered into separate subscription agreements (the "**Subscription Agreements**") with seventy three (73) independent private investors (the "**Subscribers**") pursuant to which the Subscribers have agreed to subscribe for and the Company has agreed to issue the Bonds in the aggregate principal amount of HK\$114,840,000 (the "**Subscriptions**").

Details of the Subscriptions of the principal amount over HK\$10,000,000 is as follows:

Subscriber	Bond Number	Principal amount of the Bond HK\$	Date of issue	Redemption date
Li Yong (李勇)	133	10,000,000	13 January 2017	15 January 2018
Mu Ren (牧人)	188	10,000,000	7 August 2017	8 August 2024

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 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 nine months ended 30 September 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 September 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 September 2017.

Save as disclosed above, as at 30 September 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 September 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)
Substantial Shareholder			
-	-	-	-

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 September 2017.

Save as disclosed above, as at 30 September 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 September 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.

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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2017.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's third quarterly results announcement and report for the nine months ended 30 September 2017 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, 9 November 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.