



2018

Interim Report

GRAND PEACE GROUP HOLDINGS LIMITED

福澤集團控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code : 08108

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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 2018 together with the comparative figures.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2018

	Notes	Unaudited			
		Three months ended		Six months ended	
		2018	2017	2018	2017
		30 June	30 June	30 June	30 June
		2018	2017	2018	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	22,133	21,396	47,928	62,039
Cost of sales		(11,870)	(12,550)	(23,240)	(42,175)
Gross profit		10,263	8,846	24,688	19,864
Other revenue		210	–	210	960
Other net gain		282	216	603	250
Fair value change of financial assets at fair value through profit or loss		(24)	(852)	(684)	(1,097)
Loss on disposal of a subsidiary		(452)	–	(220)	–
Loss on disposal of an associate		–	(24)	–	(376)
Selling and distribution costs		(1,379)	(2,352)	(2,610)	(5,125)
Administrative expenses		(18,857)	(8,628)	(25,637)	(25,339)
Loss from operations	3	(9,957)	(2,794)	(3,650)	(10,863)
Finance costs		(9,260)	(7,635)	(17,989)	(15,384)
Share of results of associates		–	23	–	339
Share of results of a joint venture		(293)	(286)	(594)	(566)
Loss before taxation		(19,510)	(10,692)	(22,233)	(26,474)
Taxation	4	219	(473)	(1,472)	(1,253)
Loss for the period		(19,291)	(11,165)	(23,705)	(27,727)
Attributable to:					
Owners of the Company		(19,291)	(10,725)	(23,705)	(26,462)
Non-controlling interests		–	(440)	–	(1,265)
		(19,291)	(11,165)	(23,705)	(27,727)

	Notes	Unaudited			
		Three months ended		Six months ended	
		30 June		30 June	
		2018	2017	2018	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period		(19,291)	(11,165)	(23,705)	(27,727)
Other comprehensive income/(loss) for the period, net of tax					
Exchange differences arising during the period		(5,166)	501	204	1,282
Change in fair value of financial assets through other comprehensive income		858	–	1,072	–
		(4,308)	501	1,276	1,282
Total comprehensive loss for the period		(23,599)	(10,664)	(22,429)	(26,445)
Total comprehensive loss attributable to:					
Owners of the Company		(23,599)	(10,224)	(22,429)	(25,180)
Non-controlling interests		–	(440)	–	(1,265)
		(23,599)	(10,664)	(22,429)	(26,445)
		HK cents	HK cents	HK cents	HK cents
Loss per share					
– basic and diluted	6	(2.09)	(1.16)	(2.57)	(2.87)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		54,528	45,547
Intangible assets		79,809	77,494
Goodwill		–	3,592
Interests in a joint venture		23,172	23,817
Financial assets measured at fair value through other comprehensive income		4,270	–
Available-for-sale financial assets		–	98
Long-term prepayment		94,250	113,750
Loan receivables	10	101	2,815
		256,130	267,113
CURRENT ASSETS			
Inventories	8	10,053	10,525
Trade receivables	9	–	747
Loan receivables	10	141,206	121,022
Promissory note receivable		–	3,500
Financial assets at fair value through profit or loss		1,356	2,040
Prepayments, deposits and other receivables	11	197,095	197,326
Cash and bank balances	12	37,882	31,777
		387,592	366,937
LESS: CURRENT LIABILITIES			
Trade payables	13	29	323
Borrowings	14	190,004	157,867
Other payables and accruals		20,375	20,082
Receipts in advance		4	4
Tax payable		6,549	5,082
		216,961	183,358
NET CURRENT ASSETS		170,631	183,579
TOTAL ASSETS LESS CURRENT LIABILITIES		426,761	450,692

	Notes	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
LESS: NON-CURRENT LIABILITIES			
Borrowings	14	31,835	33,313
NET ASSETS		394,926	417,379
CAPITAL AND RESERVES			
Share Capital	15	461,360	461,360
Reserves		(66,434)	(44,005)
Total equity attributable to owners of the Company		394,926	417,355
Non-controlling interests		–	24
Total equity		394,926	417,379

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Contributed surplus	Fair value through other comprehensive income reserve	Exchange reserve	Accumulated losses	Subtotal	Non-controlling interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2016 and 1 January 2017 (Audited)	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/(loss) 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
At 31 December 2017 and 1 January 2018 (Audited)	461,360	368,178	43	(2,455)	(409,771)	417,355	24	417,379
Loss for the period	–	–	–	–	(23,705)	(23,705)	–	(23,705)
Other comprehensive income for the period								
– Exchange differences arising during the period	–	–	–	204	–	204	–	204
– Change in fair value of financial assets through other comprehensive income	–	–	1,072	–	–	1,072	–	1,072
Total comprehensive(expense)/Income for the period	–	–	1,072	204	(23,705)	(22,429)	–	(22,429)
Disposal of a subsidiary	–	–	–	–	–	–	(24)	(24)
At 30 June 2018 (Unaudited)	461,360	368,178	1,115	(2,251)	(433,476)	394,926	–	394,926

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

For the six months ended 30 June

	2018 HK\$'000	2017 HK\$'000
NET CASH INFLOWS/(OUTFLOWS) FROM OPERATING ACTIVITIES	4,964	(80,344)
NET CASH (OUTFLOWS)/INFLOWS FROM INVESTING ACTIVITIES	(11,529)	35,450
NET CASH INFLOWS FROM FINANCING ACTIVITIES	12,670	1,199
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,105	(43,695)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	31,777	55,089
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	37,882	11,394
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	37,882	11,394

Notes:

1. BASIS OF PREPARATION

New accounting policy adopted by the Group during the six months ended 30 June 2018

Except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by Hong Kong Institute of Certified Public Accountants, (“**HKICPA**”), which are effective for the Group’s financial year beginning on 1 January 2018, the accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the six months ended 30 June 2018 are consistent with those adopted in the annual report of the Company for the year ended 31 December 2017.

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.

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	
	2018 HK\$’000 (Unaudited)	2017 HK\$’000 (Unaudited)	2018 HK\$’000 (Unaudited)	2017 HK\$’000 (Unaudited)
Provision of funeral services and sale of funeral related products	21,105	20,512	44,575	57,046
Loan financing business	1,028	884	3,353	4,993
	22,133	21,396	47,928	62,039

3. LOSS FROM OPERATIONS

The Group's loss from operations is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$000 (Unaudited)	2017 HK\$'000 (Unaudited)
Cost of sales	11,870	12,550	23,240	42,175
Depreciation on property, plant and equipment	828	721	1,451	1,348

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.

	2018 HK\$'000	2017 HK\$'000
Current taxation – Hong Kong	1,472	1,253
Current taxation – PRC	–	–
Deferred taxation	–	–
Tax expense for the Period	1,472	1,253

5. INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2018 (six months ended 30 June 2017: 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\$23,705,000 (2017: loss approximately HK\$26,462,000) and the weighted average 922,719,512 (2017: 922,719,512 ordinary shares) ordinary shares in issue during the Period.

There was no diluting event existing during the six months ended 30 June 2018 and 2017.

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 2018 and 2017 under review.

	Provision of funeral services and sales of funeral related products		Loan financing business		Total	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Segment revenue						
Sales to external customers	44,575	57,046	3,353	4,993	47,928	62,039
Segment results	21,335	14,877	3,353	4,987	24,688	19,864
Interest income					210	960
Unallocated gains					603	250
Fair value change of financial assets at fair value through profit or loss					(684)	(1,097)
Loss on disposal of a subsidiary					(220)	-
Loss on disposal of an associate					-	(376)
Corporate and other unallocated expenses					(28,247)	(30,464)
Finance costs					(17,989)	(15,384)
Share of result of associates					-	339
Share of result of a joint venture					(594)	(566)
Loss before taxation					(22,233)	(26,474)
Taxation					(1,472)	(1,253)
Loss for the period					(23,705)	(27,727)

8. INVENTORIES

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Finished goods	10,053	10,525

9. TRADE RECEIVABLES

The average credit period on sales of goods is 30 days. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
0 - 30 days	–	19
31 - 60 days	–	63
Over 60 days	–	665
	–	747

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

10. LOANS RECEIVABLES

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Loans receivables – secured	–	–
Loans receivables – unsecured	141,307	123,837
Total loans receivables	141,307	123,837
Less: non-current portion	(101)	(2,815)
Current portion	141,206	121,022

The Group's loan receivables, which arise from the Loan Financing Business acquired during the period ended 30 June 2018, are denominated in Hong Kong dollars as at 30 June 2018.

Loan receivables bear interest and are repayable with fixed terms ranged from 1 to 10 years agreed with the customers as at 30 June 2018. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the receivables mentioned above.

10. LOANS RECEIVABLES (Continued)

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 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Current	141,206	121,022
2 to 5 years	101	2,815
Over 5 years	—	—
	141,307	123,837

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.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Prepayments (Note (a))	41,196	43,014
Other deposits and receivables (Note (b))	98,104	76,417
Consideration receivable on disposal of subsidiaries	43,995	47,095
Consideration receivable on disposal of an associate	5,000	22,000
Amount due from a joint venture	8,800	8,800
	197,095	197,326

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Note:

- (a) As at 31 December 2017, the prepayments mainly represents current portion occupation fee prepayment of HK\$39,000,000 for leasing the funeral parlour of Kowloon Funeral Parlour Company.

As at 30 June 2018, the prepayments mainly represents current portion occupation fee prepayment of HK\$39,000,000 for leasing the funeral parlour of Kowloon Funeral Parlour Company.

- (b) As at 30 June 2018, the other deposits and receivables of the Group mainly represents amount receivable from KFP of approximately HK\$71,585,000 which is guarantee by the controlling shareholder and director of KFP, interest-free and repayable within one year.

12. CASH AND BANK BALANCES

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Cash and bank balances	37,882	31,777

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 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
0 - 30 days	-	-
31 - 60 days	-	-
Over 60 days	29	323
	29	323

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 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Unsecured (Note (ii))	221,839	191,180
	221,839	191,180
Carrying amount repayable:		
Within one year	190,004	157,867
More than one year, but not exceeding two years	439	3,209
More than two years, but not exceeding five years	21,268	20,227
More than five years	10,128	9,877
	221,839	191,180
Less: Amounts shown under current liabilities	(190,004)	(157,867)
	31,835	33,313

Notes:

- (i) The amounts represent the loans from several independent third parties.
- (ii) As at 30 June 2018, the Group's unsecured borrowings carried effective interest rate of 4.64% to 27.27% per annum.

15. SHARE CAPITAL

Ordinary shares

	Par Value HK\$	Number of shares '000	Shares capital HK\$'000
Authorised:			
At 31 December 2017	0.5	2,000,000	1,000,000
At 1 January 2018	0.5	2,000,000	1,000,000
At 30 June 2018(Unaudited)	0.5	2,000,000	1,000,000
Issued and fully paid:			
At 31 December 2017	0.5	922,720	461,360
At 1 January 2018	0.5	922,720	461,360
At 30 June 2018	0.5	922,720	461,360

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 2018 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
Financial assets at fair value through profit or loss	1,356	–	–	1,356
Financial assets measured at fair value through other comprehensive income	1,170	–	3,100	4,270

	At 31 December 2017 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
Available-for-sale financial assets	98	–	–	98
Financial assets at fair value through profit or loss	2,040	–	–	2,040

The fair value of the financial assets included in the level 1 above have been determined in accordance with quoted prices in active market.

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in condensed consolidated financial statements approximately their fair values.

17. CONTINGENT LIABILITIES

The Group had no contingent liabilities at 30 June 2018.

18. MATERIAL RELATED PARTY TRANSACTIONS

The Group had no material related party transactions during the six months ended 30 June 2018 and 2017.

19. EVENTS AFTER THE REPORTING PERIOD

No significant subsequent event took place subsequent to 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group's principal businesses during the half year ended 30 June 2018 (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\$47,928,000, representing a decrease of 22.75% as compared to the same period last year. Such decrease was mainly due to (i) the slowdown of the loan financing business during the Period; and (ii) no operating revenue has been generated during the Period after the expiration of the right (which was granted by the Hong Kong Special Administrative Region) to operate, manage and maintain the public funeral parlour entitled "Grand Peace Funeral Parlour" at Cheong Hang Road, Hung Hom, Hong Kong on 31 March 2017. The Group's total unaudited loss during the Period amounted to approximately HK\$23,705,000.

Funeral Business

During the Period, the Group recorded total unaudited revenue of approximately HK\$44,575,000, representing a decrease of 21.86% as compared to the same period last year of approximately HK\$57,046,000, from the provision of funeral-related services and the sale of funeral-related products and an unaudited gross profit of approximately HK\$21,335,000, representing an increase of 43.41% as compared to the same period last year of approximately HK\$14,877,000. The decrease of revenue was due to no operating revenue recorded from Grand Peace Funeral Parlour during the Period as disclosed above. The increase of gross profit was mainly due to the decrease in the cost of funeral business operations.

For the six months ended 30 June 2018, the Group recorded an unaudited total revenue of approximately HK\$44,575,000 from the provision of funeral-related services and the sale of funeral-related products in the Kowloon Funeral Parlour (the "KFP"), representing an increase of 18.38% as compared to the same period last year of approximately HK\$37,654,000, gross profit of approximately HK\$21,335,000, representing an increase of 59.74% as compared to the same period last year of approximately HK\$13,356,000, and net profit of approximately HK\$4,036,000, representing an increase of 16.75% as compared to the same period last year of approximately HK\$3,457,000. The Group will continue to enhance promotion and advertising investment as well as employee 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 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 been completed and the cemetery has commenced trial operation. During the Period, the Group recorded no unaudited revenue from the provision of funeral-related services and sale of funeral-related products in the Huidong cemetery. The unaudited net loss was approximately HK\$2,695,000, representing an increase of approximately 40.29% as compared to the unaudited net loss for the same period last year of approximately HK\$1,921,000. Due to the Huidong cemetery's low recognition among customers, the Group will continue to enhance promotion and advertising investment to stimulate the marketing and sales of the Huidong cemetery.

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\$3,353,000, representing a decrease of 32.85% as compared to the same period last year of approximately HK\$4,993,000. The unaudited net profit was approximately HK\$1,978,000, representing a decrease of 32.68% as compared to the net profit for the same period last year of approximately HK\$2,938,000, which was mainly due to the slowdown of the loan business.

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 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.

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 2018, cash and bank balances of the Group was approximately HK\$37,882,000 (as at 30 June 2017: approximately HK\$11,394,000).

As at 30 June 2018, the total borrowings of the Group amounted to approximately HK\$221,839,000 (2017: approximately HK\$169,728,000), representing unsecured bonds of HK\$221,839,000 at the effective interest rate ranged from 4.64% per annum to 27.27% per annum.

EMPLOYEES INFORMATION

As at 30 June 2018, the Group had employed 64 staffs (as at 30 June 2017: 70 staffs), staff are 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 2018 amounted to approximately HK\$6,098,000 (2017: approximately HK\$15,484,000).

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 2018, the Group's gearing ratio was approximately 56.17% representing a percentage of the total borrowings over total equity attributable to the owners of the company (2017: approximately 45.81%).

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 is 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 2018, none of the Directors or chief executives of the Company hold any share options of the Company.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2018, 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 2018, 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 2018, no person (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.

CHARGE ON GROUP'S ASSETS

The Group did not have any charge on its assets as at 30 June 2018 (2017: The Group did not have any 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, 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. Chin Kwan Lam, Raymond, Mr. Huen Ho Yin and Mr. Huang Hongbin, 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 2018 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 resigned as an Executive Director, chairman and chief executive of the Company on 19 March 2018, and the responsibilities of the chairman and chief executive of the Company have been taken up by the other members of the Board. The Board will continuously review and improve the corporate governance practices and standards of the Group to ensure that business activities and decision-making processes are regulated in a proper and prudent manner.

NUMBER OF INDEPENDENT NON-EXECUTIVE DIRECTORS

According to Rules 5.05(1) and 5.05(A) of the Rules Governing the Listing of Securities on the GEM (the “**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the Board must include at least three Independent Non-executive Directors and it is required to appoint Independent Non-executive Directors representing at least one-third of the Board.

Pursuant to Rule 5.28 of the GEM Listing Rules, the Audit Committee must comprise a minimum of three members, the majority of which must be Independent Non-executive Directors. The Audit Committee must be chaired by an Independent Non-executive Director.

As the majority of the votes cast against Resolutions Nos. 2(a), 2(b) and 2(e), Resolutions 2(a), 2(b) and 2(e) have not been passed by the Shareholders of the Company at the 2018 Annual General Meeting held on 9 May 2018 (the “**2018 AGM**”). As a result, Mr. Tam Yiu Cheung (“**Mr. Tam**”), Mr. Liu Qing Chen (“**Mr. Liu**”) and Ms. Tan Xiao Yan (“**Ms. Tan**”) cease to be Independent Non-executive Directors of the Company after the 2018 AGM. Consequently, Mr. Tam ceased to be the chairman and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Liu and Ms. Tan also ceased to be members of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

The Company has tried its best endeavors to comply with the GEM Listing Rules given that time is required to identify suitable candidates to be Independent Non-executive Directors. The following Directors have been appointed on 1 June 2018:

- (i) Mr. Chin Kwan Lam, Raymond has been appointed as an Independent Non-executive Director, a member and the chairman of the Audit Committee, a member of each of the Remuneration Committee and the Nomination Committee;
- (ii) Mr. Huen Ho Yin has been appointed as an Independent Non-executive Director, a member of each of the Audit Committee and the Nomination Committee, and a member and the chairman of the Remuneration Committee.

On 1 August 2018, Mr. Huang Hongbin was appointed as an Independent Non-executive Director, a member of each of the Audit Committee and the Remuneration Committee and a member and the chairman of the Nomination Committee.

For more details, please refer to the announcements of the Company published on 9 May 2018, 1 June 2018 and 1 August 2018.

Save as during the period from 9 May 2018 to 31 July 2018, the Company has complied with Rules 5.05(1), 5.05(A) and 5.28 of the GEM Listing Rules for the six months ended 30 June 2018.

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 (i) the nominal value for the time being of each share of the Company, (ii) 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 (iii) 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 2018.

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 2018, 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 2018.

RE-ELECTION OF DIRECTORS

At the annual general meeting of the Company held on 9 May 2018, Mr. He Weiqing and Mr. Wong Wai Leung were re-elected as Directors by the shareholders of the Company.

By Order of the Board
Grand Peace Group Holdings Limited
Sun, Miguel
Executive Director

Hong Kong, 9 August 2018

As at the date of this report, the Board comprises Mr. Sun, Miguel, Mr. He Weiqing and Mr. Wong Wai Leung as Executive Directors, and Mr. Chin Kwan Lam, Raymond, Mr. Huen Ho Yin and Mr. Huang Hongbin as Independent Non-executive Directors.