

GRAND PEACE GROUP HOLDINGS LIMITED

福澤集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 08108)

ANNOUNCEMENT OF FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2019

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Given that the companies listed on the GEM are generally small and mid-sized companies, there is a risk that securities traded on the GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on the GEM.

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*This announcement, 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 announcement 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 announcement misleading.*

** For identification purpose only*

FIRST 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 ended 31 March 2019 together with the comparative figures.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 March 2019

		Three months ended	
		31 March	
		2019	2018
	Notes	HK\$'000	HK\$'000
Turnover	2	25,927	25,795
Cost of sales		(11,522)	(11,370)
Gross profit		14,405	14,425
Other income		3,176	321
Other loss		(561)	–
Fair value change of financial assets at fair value through profit or loss		(381)	(660)
Gain on disposal of a subsidiary		–	232
Selling and distribution costs		(1,331)	(1,231)
Administrative expenses		(11,154)	(6,780)
Profit from operations		4,154	6,307
Finance costs		(9,146)	(8,729)
Share of results of a joint venture		(281)	(301)
Loss before taxation		(5,273)	(2,723)
Taxation	3	(267)	(1,691)
Loss for the period		<u>(5,540)</u>	<u>(4,414)</u>
Attributable to:			
Owners of the Company		(5,540)	(4,414)
Non-controlling interests		–	–
		<u>(5,540)</u>	<u>(4,414)</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)**

For the three months ended 31 March 2019

		Three months ended	
		31 March	
		2019	2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period		(5,540)	(4,414)
Interim dividend	4	–	–
Other comprehensive income for the period, net of tax			
Exchange differences arising during the period		2,378	5,370
Change in fair value of financial assets through other comprehensive loss		(253)	–
		<hr/>	<hr/>
Total comprehensive (loss)/profit for the period		(3,415)	956
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive (loss)/profit attributable to:			
Owners of the Company		(3,415)	956
Non-controlling interests		–	–
		<hr/>	<hr/>
		(3,415)	956
		<hr/> <hr/>	<hr/> <hr/>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
– Basic and diluted	5	(0.6)	(0.5)
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital <i>HK\$'000</i>	Contributed Surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Available- for-sale financial assets revaluation reserve <i>HK\$'000</i>	Financial assets at fair value through other comprehensive income reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Non- controlling interest <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
For the three months ended 31 March 2018									
At 31 December 2017 (Audited) and 1 January 2018 (Unaudited)	461,360	368,178	(409,771)	43	–	(2,455)	417,355	24	417,379
Loss for the period	–	–	(4,414)	–	–	–	(4,414)	–	(4,414)
Other comprehensive income for the period	–	–	–	–	–	5,370	5,370	–	5,370
Net gain arising on revaluation of available-for-sale financial assets	–	–	–	214	–	–	214	–	214
Total comprehensive (loss)/profit for the period	–	–	(4,414)	214	–	5,370	1,170	–	1,170
Disposal of a subsidiary	–	–	–	–	–	–	–	(24)	(24)
At 31 March 2018 (Unaudited)	<u>461,360</u>	<u>368,178</u>	<u>(414,185)</u>	<u>257</u>	<u>–</u>	<u>2,915</u>	<u>418,525</u>	<u>–</u>	<u>418,525</u>
For the three months ended 31 March 2019									
At 31 December 2018 (Audited) and 1 January 2019 (Unaudited)	461,360	368,178	(504,168)	–	779	(6,990)	319,159	–	319,159
Loss for the period	–	–	(5,540)	–	–	–	(5,540)	–	(5,540)
Other comprehensive income/(loss) for the period									
– Exchange differences arising during the period	–	–	–	–	–	1,747	1,747	–	1,747
– Share of other comprehensive income of a joint venture	–	–	–	–	–	631	631	–	631
– Fair value change of financial assets at fair value through other comprehensive loss	–	–	–	–	(253)	–	(253)	–	(253)
Total comprehensive loss for the period	–	–	(5,540)	–	(253)	2,378	(3,415)	–	(3,415)
At 31 March 2019 (Unaudited)	<u>461,360</u>	<u>368,178</u>	<u>(509,708)</u>	<u>–</u>	<u>526</u>	<u>(4,612)</u>	<u>315,744</u>	<u>–</u>	<u>315,744</u>

Notes:

1. BASIS OF PREPARATION

The Group's unaudited first 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 GEM 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 accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the three months ended 31 March 2019 are consistent with those adopted in the annual report of the Company for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that have become effective for its accounting period beginning on 1 January 2019.

The adoption of the new and revised HKFRSs has no significant effect on these unaudited condensed consolidated financial statements.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective for the current accounting period of the Group.

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 during the period represents the net invoiced value of funeral products sold and funeral services provided for, and the interest income earned from loan financing business in Hong Kong after allowances for returns and trade discounts.

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

	Three months ended 31 March	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Provision of funeral services and sale of funeral related products	22,636	23,470
Loan financing business	3,291	2,325
	<u>25,927</u>	<u>25,795</u>

3. TAXATION

Under the two-tiered profits tax rates regime, Hong Kong profits tax will be taxed at 8.25% at the first HK\$2 million of the estimated assessable profits during the Period and the estimated assessable profits above HK\$2 million will be taxed at 16.5% (2018: 16.5%). 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.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current taxation – Hong Kong	267	1,691
Current taxation – PRC	–	–
Deferred taxation	–	–
	<hr/>	<hr/>
Tax expense for the period	267	1,691
	<hr/> <hr/>	<hr/> <hr/>

4. INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the three months ended 31 March 2019 (three months ended 31 March 2018: Nil).

5. LOSS PER SHARE

The calculation of basic loss per share from operations is based on the loss for the period attributable to owners of the Company of approximately HK\$5,540,000 (2018: loss approximately HK\$4,414,000) and the weighted average 922,719,512 (2018: 922,719,512) ordinary shares in issue during the period.

There was no diluting event existing during the three months ended 31 March 2019 and 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of Grand Peace Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited first quarterly results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 31 March 2019 (the “**Period**”).

BUSINESS AND FINANCIAL REVIEW

The Group’s principal businesses during the Period are funeral business, loan financing business and elderly home business.

The Group’s total operating revenue during the Period amounted to approximately HK\$25,927,000, representing a slight increase of 0.51% as compared to that in the same period last year. The Group’s total unaudited loss during the Period amounted to approximately HK\$5,540,000.

Funeral Business

During the Period, the Group recorded total unaudited revenue of approximately HK\$22,636,000 from the provision of funeral-related services and deal of funeral-related products in Hong Kong and Mainland China, representing a decrease of 3.55% as compared to the same period last year of approximately HK\$23,470,000, and a gross profit of approximately HK\$11,114,000, representing a decrease of 8.15% as compared to the same period last year of approximately HK\$12,100,000, which was mainly due to the decrease of the turnover and the increase in the cost of funeral business operations.

For the three months ended 31 March 2019, the Group recorded an unaudited total revenue of approximately HK\$22,406,000 from the provision of funeral-related services and the deal of funeral-related products in the Kowloon Funeral Parlour, representing a decrease of 4.53% as compared to the same period last year of approximately HK\$23,470,000, and unaudited segment profit[#] of approximately HK\$7,562,000, representing a decrease of 9.12% as compared to the same period last year of approximately HK\$8,321,000. The Group will continue to enhance promotion and advertising investment as well as employee training to raise the utilisation of the Kowloon Funeral Parlour, and endeavour to control costs and expenses.

For the funeral business in Mainland China, the Group has successively invested resources in developing the Huidong County Huaqiao Cemetery (“**Huidong Cemetery**”). The infrastructure work of the Huidong Cemetery (including the road landscaping and greening in the cemetery area) has been completed and has commenced trial operation. During the Period, the Group recorded an unaudited total revenue of approximately HK\$230,000 from the provision of funeral-related services and deal of funeral-related products in the Huidong Cemetery, and unaudited segment profit[#] of approximately HK\$222,000, representing an increase of approximately 165.1% as compared to the unaudited segment loss[#] for the same period last year of approximately HK\$341,000. 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 business was approximately HK\$3,291,000, representing an increase of approximately 41.55% as compared to the same period last year of approximately HK\$2,325,000 and the segment profit[#] was approximately HK\$2,768,000, representing an increase of approximately 42.75% as compared to the same period last year of approximately HK\$1,939,000, which was mainly due to the fact that the Group has put more resources for its development.

Elderly Home Business

惠州市福澤頤養服務有限公司, a joint venture company (the “**JV Company**”) established in the PRC by Most Fame (China) Limited (“**Most Fame**”), an indirect wholly-owned subsidiary of the Company, together with an independent third party, is principally engaged in the construction, management and operation of a social elderly nursing home in Huidong County, Huizhou, Guangdong Province, the PRC. The JV Company will enable the JV parties to develop the business of operation of the social elderly nursing home in Guangdong Province, which will attract Hong Kong elderly. We believe that the proposed social elderly nursing home will bring synergistic effect to the cemetery operated by the Group in Huidong.

[#] Segment profit/loss represents the profit/loss earned by each segment without allocation of unallocated corporate expense, finance costs and income tax expense.

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 Hong Kong and Huidong, China.

The Group will also continue to seek and identify businesses that are conducive to bringing more robust profits, and form new 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.

ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

As mentioned in the Company's announcements dated 29 January 2019, 19 February 2019, 20 February 2019 and 12 March 2019, the Company entered into the Subscription Agreement, Supplemental Subscription Agreement and Second Supplemental Agreement (collectively the "**Subscription Agreements**") with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe, and the Company has conditionally agreed to issue the Convertible Bonds in the principal amount of up to HK\$36,000,000. The estimated net proceeds from the Subscription will be approximately HK\$35.8 million, which will be used as to (i) approximately HK\$22 million for relief of the liabilities of the Group; (ii) approximately HK\$11.8 million for potential investment if such opportunity arises; and (iii) approximately HK\$2 million for the general working capital of the Group.

Upon full conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.25 per Conversion Share, a total of 144,000,000 Conversion Shares will be allotted and issued, representing approximately 15.61% of the issued Shares as at the date of this announcement and approximately 13.50% of the issued Shares as enlarged by the issue of the Conversion Shares (assuming there is no other change in the number of issued Shares between the date of this announcement and the full conversion of the Convertible Bonds). The Conversion Shares will be issued pursuant to the General Mandate. As of the date of this announcement, the condition precedents stipulated in the Subscription Agreements have been fulfilled and pending for the completion in accordance with the terms of the Subscription Agreements.

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 31 March 2019 cash and bank balances of the Group was approximately HK\$36,260,000 (as at 31 March 2018: approximately HK\$70,041,000).

As at 31 March 2019, the total borrowings of the Group amounted to approximately HK\$195,105,000 (2018: approximately HK\$194,532,000), represents by (i) unsecured bonds of HK\$189,605,000 at the effective interest rate ranging from 4.64% per annum to 27.27% per annum and (ii) an unsecured short-term borrowing of HK\$5,500,000 at the effective interest rate ranging from 22.73% per annum to 22.99% per annum.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

As at 31 March 2019, 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 three months ended 31 March 2019, 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 of all Directors and the Company is 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 31 March 2019, 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 31 March 2019.

Save as disclosed above, as at 31 March 2019, 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 31 March 2019, 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	Note	Nature and capacity of interest	Number of ordinary shares held	Approximate percentage of the company's total issued share capital <i>(Note 1)</i>
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Substantial Shareholder

Mr. Chung Tsai Kin ("Mr. Chung") and Ms. Cheung Po Yuet ("Ms. Cheung")	2	Beneficial owner	121,108,000	13.13%
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Notes:

- (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 31 March 2019.
- (2) 103,672,000 Shares of these Shares are held by Mr. Chung as beneficial owner. The remaining 17,436,000 Shares are held by his spouse Ms. Cheung as beneficial owner. By virtue of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), Mr. Chung and Ms. Cheung are deemed, or taken to be interested in the Shares held by their respective spouse, i.e. Ms. Cheung and Mr. Chung.

Save as disclosed above, as at 31 March 2019, the Directors are not aware of any other persons, other than the Directors and chief executives 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 31 March 2019 (2018: 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 the period.

CORPORATE GOVERNANCE PRACTICES

Under the code provision A.2.1 of the CG Code, the roles of the Chairman and CEO should be separate and should not be performed by the same individual. There is not a post of the Chairman and CEO in the Company. The responsibilities of the chairman and chief executive of the Company are taken up by 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.

Save as disclosed above, for the three months ended 31 March 2019, 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 the 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 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 three months ended 31 March 2019.

As at the date of this announcement, 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 three months ended 31 March 2019, 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 three months ended 31 March 2019.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's first quarterly results announcement and report for the three months ended 31 March 2019 and provided advices and recommendations to the Board. After the review of the financial statements, the members of the Audit Committee are of the opinion that such financial 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
Sun, Miguel
Executive Director

Hong Kong, 9 May 2019

As at the date of this announcement, 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.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least seven days from the date of its posting and on the website of the Company at <http://www.grandpeace.com.hk>.