



2018

First Quarterly 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



* For identification purpose only

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*This report, for which the directors of the Company (the “**Directors**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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 2018 together with the comparative figures.

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

For the three months ended 31 March 2018

	Notes	Three months ended 31 March	
		2018 HK\$'000	2017 HK\$'000
Turnover	2	25,795	40,643
Cost of sales		(11,370)	(29,625)
Gross profit		14,425	11,018
Other revenue		–	960
Other income		321	34
Fair value change of financial assets at fair value through profit or loss		(660)	(245)
Gain on disposal of a subsidiary		232	–
Loss on disposal of an associate		–	(352)
Selling and distribution costs		(1,231)	(2,773)
Administrative expenses		(6,780)	(16,711)
Profit/(Loss) from operations		6,307	(8,069)
Finance costs		(8,729)	(7,749)
Share of results of an associate		–	316
Share of results of a joint venture		(301)	(280)
Loss before taxation		(2,723)	(15,782)
Taxation	3	(1,691)	(780)
Loss for the period		(4,414)	(16,562)
Attributable to:			
Owners of the Company		(4,414)	(15,737)
Non-controlling interests		–	(825)
		(4,414)	(16,562)

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

For the three months ended 31 March 2018

	Notes	Three months ended 31 March	
		2018 HK\$'000	2017 HK\$'000
Loss for the period		(4,414)	(16,562)
Interim dividend	4	–	–
Other comprehensive income for the period, net of tax Exchange differences arising during the period		5,370	781
Total comprehensive profit/(loss) for the period		956	(15,781)
Total comprehensive profit/(loss) attributable to:			
Owners of the Company		956	(14,956)
Non-controlling interests		–	(825)
		956	(15,781)
		HK cents	HK cents
Loss per share			
– Basic and diluted	5	(0.5)	(3.4)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital HK\$'000	Contributed Surplus HK\$'000	Available- for-sale Securities revaluation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Subtotal HK\$'000	Non- controlling interest HK\$'000	Total equity HK\$'000
For the three months ended								
31 March 2017								
At 1 January 2017	461,360	368,178	-	(9,516)	(342,035)	477,987	(20,695)	457,292
Loss for the period	-	-	-	-	(15,737)	(15,737)	(825)	(16,562)
Other comprehensive income for the period	-	-	-	781	-	781	-	781
Total comprehensive income/(loss) for the period	-	-	-	781	(15,737)	(14,956)	(825)	(15,781)
Acquisition of a subsidiary	-	-	-	-	-	-	63	63
At 31 March 2017	461,360	368,178	-	(8,735)	(357,772)	463,031	(21,457)	441,574
For the three months ended								
31 March 2018								
At 1 January 2018	461,360	368,178	43	(2,455)	(409,771)	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 income/(loss) for the period	-	-	214	5,370	(4,414)	1,170	-	1,170
Disposal of a subsidiary	-	-	-	-	-	-	(24)	(24)
At 31 March 2018	461,360	368,178	257	2,915	(414,185)	418,525	-	418,525

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 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 three months ended 31 March 2018 are consistent with those adopted in the annual report of the Company for the year ended 31 December 2017.

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	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Provision of funeral services and sale of funeral related products	23,470	36,534
Loan financing business	2,325	4,109
	25,795	40,643

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 years as the Group have no assessable profits arising in the PRC.

	2018 HK\$'000	2017 HK\$'000
Current taxation – Hong Kong	1,691	780
Current taxation – PRC	–	–
Deferred taxation	–	–
Tax expense for the period	1,691	780

4. INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the three months ended 31 March 2018 (three months ended 31 March 2017: 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\$4,414,000 (2017: loss approximately HK\$15,737,000) and the weighted average 922,719,512 (2017: 461,359,756) ordinary shares in issue during the period.

There was no diluting event existing during the three months ended 31 March 2018 and 2017.

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 2018.

BUSINESS AND FINANCIAL REVIEW

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

The Group’s total operating revenue during the Period amounted to approximately HK\$25,795,000, representing a decrease of 36.5% as compared to the same period last year, which was mainly due to the expiration of the right granted by the Hong Kong Special Administrative Region Government to the Group to operate, manage and maintain the public funeral parlour entitled “Grand Peace Funeral Parlour” at Cheong Hang Road, Hung Hum, Hong Kong on 31 March 2017 and no operating revenue recorded from Grand Peace Funeral Parlour during the Period. The Group’s total unaudited loss during the Period amounted to approximately HK\$4,414,000.

Funeral Business

During the Period, the Group recorded total unaudited revenue of approximately HK\$23,470,000 from the provision of funeral-related services and sale of funeral-related products in Hong Kong and Mainland China, representing a decrease of 35.8% as compared to the same period last year of approximately HK\$36,534,000, and a gross profit of approximately HK\$12,100,000, representing an increase of 75.1% as compared to the same period last year of approximately HK\$6,909,000. 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 three months ended 31 March 2018, the Group recorded an unaudited total revenue of approximately HK\$23,470,000 from the provision of funeral-related services and sale of funeral-related products in the Kowloon Funeral Parlour (the “**KFP**”), representing an increase of 36.5% as compared to the same period last year of approximately HK\$17,191,000, gross profit of approximately HK\$12,100,000, representing an increase of 134.7% as compared to the same period last year of approximately HK\$5,156,000, and net profit of approximately HK\$6,948,000, representing an increase of 486.8% as compared to the same period last year of approximately HK\$1,184,000. 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 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 completed and 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\$954,000, representing an increase of approximately HK\$141,000 as compared to the unaudited net loss for the same period last year of approximately HK\$813,000. 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.

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\$2,325,000, representing a decrease of approximately 43.4% as compared to the same period last year of approximately HK\$4,109,000. The unaudited net profit was approximately HK\$1,606,000, representing a decrease of approximately 42.4% as compared to the net profit for the same period last year of approximately HK\$2,786,000, which was mainly due to the slowdown of 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 the Huidong County, Huizhou, the Guangdong Province, the PRC. The JV Company will enable the joint venture parties to develop the business of operating a 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 the KFP 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 the 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 31 March 2018 cash and bank balances of the Group was approximately HK\$70,041,000 (as at 31 March 2017: approximately HK\$32,440,000).

As at 31 March 2018, the total borrowings of the Group amounted to approximately HK\$194,532,000 (2017: approximately HK\$175,963,000), representing unsecured bonds of HK\$194,532,000 at the effective interest rate ranged from 7.05% per annum to 27.06% 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 2018, 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 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 of 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 31 March 2018, 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 2018.

Save as disclosed above, as at 31 March 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 31 March 2018, 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			
–	–	–	–

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 2018.

Save as disclosed above, as at 31 March 2018, 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 of the SFO.

CHARGE ON GROUP'S ASSETS

The Group did not have any charge on its assets as at 31 March 2018 (2017: 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

During the period from 1 January 2018 to 19 March 2018, the Group deviated from Code Provision A.2.1 of the CG Code. The roles of chairman of the Board and chief executive of the Company rested on Mr. Li Ge ("Mr. Li") without having a clear division of responsibilities. While serving as the chairman of the Group, Mr. Li led the Board and was responsible for the proceedings and workings of the Board. He had ensured that:

- the Board acted in the best interests of the Group; and
- the Board functioned effectively, and that all key and appropriate issues were properly briefed to and discussed by the Board.

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 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 had continuously dedicated to contribute to the growth and profitability of the Group during his service with the Group. The Board considered it to be more efficient for the Group to have an executive chairman which provides the Board with a strong and consistent leadership to (i) guide discussions and brief the Board in a timely manner on pertinent issues and their progress; and (ii) facilitate open dialogue between the Board and the management. Therefore, such arrangement was in the best interests of the Company and its shareholders as a whole.

Mr. Li 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 were 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.

INSUFFICIENT 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.

Pursuant to Rule 5.34 of the GEM Listing Rules, the Remuneration Committee must be chaired by an Independent Non-executive Director and be comprised of a majority of Independent Nonexecutive Directors.

Pursuant to code provision A.5.1 of the Corporate Governance Code (the “**Corporate Governance Code**”) in Appendix 15 to the GEM Listing Rules, the Nomination Committee must comprise a majority of Independent Non-executive Directors.

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.

Immediately after the 2018 AGM and as at the date of this report,

- (1) since the number of Independent Non-executive Directors is less than three and represents less than one-third of the Board, the Company is not in compliance with Rules 5.05(1) and 5.05(A) of the GEM Listing Rules;
- (2) since the number of members of the Audit Committee is less than three, the Company is not in compliance with Rule 5.28 of the GEM Listing Rules;
- (3) since the Remuneration Committee does not comprise of a majority of Independent Non-executive Directors, the Company is not in compliance with Rule 5.34 of the GEM Listing Rules; and
- (4) since the Nomination Committee does not comprise of a majority of Independent Non-executive Directors, the Company is not in compliance with code provision A.5.1 of the Corporate Governance Code.

As time is required to identify suitable candidates to be Independent Non-executive Directors in order to comply with the GEM Listing Rules and the Corporate Governance Code, the Company will try its best endeavors to comply with the GEM Listing Rules and the Corporate Governance Code as soon as possible.

For details, please refer to the announcement of the Company dated 9 May 2018.

Save as disclosed above, for the three months ended 31 March 2018, 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 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 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 three months ended 31 March 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 three months ended 31 March 2018.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's first quarterly results announcement and report for the three months ended 31 March 2018 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
Sun, Miguel
Executive Director

Hong Kong, 10 May 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.