GLORY FLAME HOLDINGS LIMITED
朝威控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8059)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors. Given the emerging nature of companies listed on GEM, there is a risk that securities traded on 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 GEM.

This announcement, for which the directors (the "Directors") of Glory Flame Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2015, the operating results of the Group were as follows:

- Revenue amounted to approximately HK$90.3 million (2014: approximately HK$89.4 million), representing an increase of approximately 1.0% from last year;
- Net profit for the year ended 31 December 2015 amounted to approximately HK$10.6 million (2014: approximately HK$4.8 million), representing an increase of approximately 120.1% from last year;
- Basic and diluted earnings per share for the year ended 31 December 2015 based on weighted average number of ordinary shares was approximately HK$1.71 cents (2014: approximately HK$0.87 cents);
- The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The board (the "Board") of directors (the "Directors") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015 together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	**2015** **HK$'000**	2014 HK$'000
Revenue	*4*	**90,260**	89,392
Cost of sales	*5*	**(59,627)**	(58,252)
Gross profit		**30,633**	31,140
Other income and net gains	*4*	**393**	1,097
Administrative and other operating expenses	*5*	**(17,055)**	(23,714)
Operating profit		**13,971**	8,523
Finance costs	*6*	**(308)**	(335)
Profit before income tax		**13,663**	8,188
Income tax expense	*7*	**(3,049)**	(3,366)
Profit and total comprehensive income for the year attributable to owners of the Company		**10,614**	4,822
Basic and diluted earnings per share (HK cents)	*8*	**1.71**	0.87

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**14,167**	13,507
Current assets			
Inventories		**1,272**	657
Trade and other receivables	*10*	**35,816**	27,122
Cash and cash equivalents		**95,528**	40,996
		132,616	68,775
Total assets		**146,783**	82,282
EQUITY			
Capital and reserves			
Share capital	*12*	**6,200**	6,200
Share premium	*12*	**34,025**	34,025
Other reserves		**41,368**	30,754
Total equity		**81,593**	70,979
LIABILITIES			
Non-current liabilities			
Borrowings		–	730
Deferred taxation		**1,431**	1,274
		1,431	2,004
Current liabilities			
Trade and other payables	*11*	**7,101**	6,139
Loan from a director		**55,000**	–
Borrowings		**730**	1,881
Tax payable		**928**	1,279
		63,759	9,299
Total liabilities		**65,190**	11,303
Total equity and liabilities		**146,783**	82,282

1. GENERAL INFORMATION

Glory Flame Holdings Limited (the "Company") was incorporated in the Cayman Islands on 25 April 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 15 August 2014.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

- Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans

- Amendments from annual improvements to HKFRSs – 2010 – 2012 Cycle, on HKFRS 8, "Operating Segments", HKAS 16, "Property, Plant and Equipment" and HKAS 38, "Intangible Assets" and HKAS 24, "Related Party Disclosures"

- Amendments from annual improvements to HKFRSs – 2011 – 2013 Cycle, on HKFRS 3, "Business Combinations", HKFRS 13, "Fair Value Measurement" and HKAS 40, "Investment Property"

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2015 are not material to the Group.

Certain new standards and amendments of HKFRSs have been published but are not yet effective for annual period beginning on 1 January 2015 and have not been early adopted by the Group. The management is in the process of assessing the impact of these new standards and amendments on the financial statements of the Group. The adoption of these new standards and amendments when they become effective is currently not expected to have a material impact on the financial statements of the Group.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the receipts from the provision of concrete demolition services in the ordinary course of business. Revenue and other income and net gains recognised during the year are as follows:

	2015	2014
	HK$'000	HK$'000
Revenue		
Provision of concrete demolition services	**90,260**	89,392

	2015	2014
	HK$'000	HK$'000
Other income and net gains		
Interest income	**62**	35
Exchange (losses)/gains	**(39)**	107
Gain on disposal of property, plant and equipment	**112**	56
Recovery of bad debts	**10**	387
Reversal of allowance for impairment of trade receivables	**58**	–
Reversal of allowance for impairment of retention receivables	**52**	227
Others *(Note)*	**138**	285
	393	1,097

Note: Included in "Others" was government grants of approximately HK$137,000 received by the Group during the year ended 31 December 2015 upon the disposal of pre-Euro IV diesel vehicles and de-registration of the vehicles. There are no unfulfilled conditions or contingencies relating to these grants.

The chief operating decision-maker has been identified as the Board of Directors of the Company. The Board of Directors regards the Group's business as a single operating segment and reviews the consolidated financial statements accordingly. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

For the year ended 31 December 2015, there was one (2014: one) customer which individually contributed over 10% of the Group's revenue. The aggregate amount of revenue from this customer amounted to approximately HK$14,274,000 (2014: HK$12,675,000) of the Group's total revenue.

5. EXPENSES BY NATURE

	2015 HK$'000	2014 HK$'000
Cost of sales		
Raw materials and consumables	**4,851**	9,535
Subcontracting charges	**28,628**	23,991
Staff costs	**14,183**	13,429
Transportation expenses	**3,116**	2,662
Machinery rental cost	**260**	209
Repair and maintenance	**2,371**	2,173
Depreciation of owned assets	**4,598**	3,787
Depreciation of assets under finance leases	**1,454**	2,294
Other expenses	**166**	172
	59,627	58,252
Administrative and other operating expenses		
Auditors' remuneration	**600**	600
Staff costs, including directors' emoluments	**6,216**	4,850
Depreciation of owned assets	**1,037**	1,076
Operating lease rental on premises	**825**	951
Travelling	**38**	30
Insurance	**644**	377
Legal and professional fees	**1,477**	827
Listing expenses	**–**	8,994
Allowance for impairment on trade receivables	**141**	142
Entertainment	**1,811**	1,955
Motor vehicles expenses	**2,015**	2,031
Other expenses	**2,251**	1,881
	17,055	23,714

6. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on finance leases	**103**	179
Interest on bank borrowings	**2**	156
Interest on loan from a director	**203**	–
	308	335

7. **INCOME TAX EXPENSE**

Hong Kong profits tax has been provided at a rate of 16.5% (2014: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year.

	2015	2014
	HK$'000	HK$'000
Hong Kong profits tax:		
– Current year	**2,964**	2,781
– Adjustment in respect of prior years	**(72)**	76
Deferred income tax	**157**	509
Income tax expense	**3,049**	3,366

8. **EARNINGS PER SHARE**

	2015	2014
Profit attributable to owners of the Company (HK$'000)	**10,614**	4,822
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	**620,000**	552,819
Basic earnings per share (HK cents)	**1.71**	0.87

The calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company and (ii) the weighted average number of ordinary shares issued during the year.

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2015 or up to the date of this announcement (2014: Nil).

10. TRADE AND OTHER RECEIVABLES

	2015	**2014**
	HK$'000	HK$'000
Trade receivables	**29,559**	22,878
Less: allowance for impairment of trade receivables	**(176)**	(129)
Trade receivables, net	**29,383**	22,749
Retention receivables	**5,361**	3,284
Less: allowance for impairment of retention receivables	**(92)**	(207)
Retention receivables, net	**5,269**	3,077
Other receivables, deposits and prepayments	**1,164**	1,296
	35,816	27,122

Notes:

(a) Trade receivables are past due when a counterparty has failed to make a payment when contractually due. The credit period granted to customers is 15 days generally. Trade receivables are denominated in HKD.

(b) The ageing analysis of the trade receivables based on invoice date is as follows:

	2015	2014
	HK$'000	HK$'000
0 – 30 days	**7,693**	6,247
31 – 60 days	**6,767**	4,510
61 – 90 days	**3,721**	3,747
91 – 365 days	**8,759**	7,679
Over 365 days	**2,443**	566
	29,383	22,749

Trade receivables of approximately HK$7,120,000 (2014: HK$6,117,000) as at 31 December 2015 were not yet past due and approximately HK$22,263,000 (2014: HK$16,632,000) as at 31 December 2015 were past due but not impaired. These relate to trade receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made. The ageing analysis of the these trade receivables is as follows:

	2015	2014
	HK$'000	HK$'000
0 – 30 days	**7,275**	3,665
31 – 60 days	**3,575**	4,298
61 – 90 days	**3,625**	2,490
91 – 365 days	**5,519**	5,620
Over 365 days	**2,269**	559
	22,263	16,632

11. TRADE AND OTHER PAYABLES

	2015	2014
	HK$'000	HK$'000
Trade payables	**4,680**	4,135
Accruals and other payables	**2,421**	2,004
	7,101	6,139

Note:

Payment terms granted by suppliers are 30 days from the invoice date of the relevant purchases.

The ageing analysis of trade payables based on the invoice date is as follows:

	2015	2014
	HK$'000	HK$'000
0 – 30 days	**2,380**	1,883
31 – 60 days	**114**	5
Over 90 days	**2,186**	2,247
	4,680	4,135

12. SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Ordinary shares HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
On 25 April 2014 (date of incorporation) *(Note a)*	38,000,000	380
Increase in authorised share capital *(Note b)*	1,962,000,000	19,620
As at 31 December 2014 and 2015	**2,000,000,000**	**20,000**

	Number of ordinary shares	Ordinary shares HK$'000	Share premium HK$'000
Issued and fully paid:			
On 25 April 2014 (date of incorporation) *(Note a)*	1,000	–	–
Shares issued pursuant to the capitalisation issue *(Note c)*	511,499,000	5,115	(5,115)
Shares issued pursuant to the placing *(Note d)*	108,500,000	1,085	39,140
As at 31 December 2014 and 2015	620,000,000	6,200	34,025

Notes:

(a) On 25 April 2014, the Company was incorporated in the Cayman Islands with an initial authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares with a par value of HK$0.01 per share. One nil-paid share was allotted and issued to the subscriber to the memorandum and articles of association of the Company, and was subsequently transferred to Power Key Investments Limited ("Power Key") on the same date. On the same date, 785 and 214 nil-paid shares were allotted and issued to Power Key and Talent Great Investments Limited ("Talent Great") respectively. Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Ultimate Expert from Power Key and Talent Great respectively, on 8 May 2014, the 786 and 214 nil-paid shares held by Power Key and Talent Great respectively, were credited as fully paid.

(b) On 2 August 2014, pursuant to the written resolutions of the shareholders of the Company, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of an additional of 1,962,000,000 shares, each ranking pari passu with shares then in issue in all respects.

(c) On 2 August 2014, the Company issued and allotted a total of 511,499,000 ordinary shares of the Company credited as fully paid at par to the then shareholders of the Company's shares on the register of members at the close of business on 2 August 2014 by way of capitalisation of the sum of HK$5,114,990 standing to the credit of the share premium account of the Company, pursuant to the written resolutions of the shareholders of the Company passed on 2 August 2014.

(d) On 15 August 2014, the Company issued 108,500,000 shares pursuant to the Company's listing on the GEM of the Stock Exchange by way of placing at a price of HK$0.40 per share.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year ended 31 December 2015 (the "Reporting Period"), the construction industry in Hong Kong was confronted with both positive and negative factors. On the one hand, the construction industry in general continued to grow primarily due to the "Ten Major Infrastructure Projects" announced by the government of Hong Kong (the "Government"). Also, there was a rising number of alternation and redevelopment projects for industrial and commercial buildings in Hong Kong, all of which contributed to a higher demand for concrete demolition services and presented opportunities for the concrete demolition business for our Group. However, on the other hand, construction contractors in Hong Kong faced tough operating environment resulting from increasing costs of operation including, in particular, labour cost and cost of raw materials and consumables. Competition for sizeable and profitable jobs in certain areas of the construction industry, including the concrete demolition sector, remained keen.

BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group's principal activities are the provision of concrete demolition service in Hong Kong as a subcontractor. The Group's concrete demolition services are mainly concerned with the removal of pieces or sections of concrete from concrete structures by applying a variety of methods, such as core drilling, sawing, bursting and crushing, etc. During the Reporting Period, all of the Group's revenue was derived from our concrete demolition services rendered to customers in Hong Kong.

During the Reporting Period, the Group undertook a total of 2,080 jobs and as at 31 December 2015, the Group had a total of 81 jobs in our backlog (including jobs that have commenced but not yet completed as well as jobs that have been awarded to the Group but not yet commenced). As at 31 December 2015, the total revenue attributed to backlog recognised and yet to be recognised were approximately HK$19.7 million and HK$27.8 million respectively.

Concrete demolition industry is one of the specific areas of the construction industry in Hong Kong, which mainly involves core drilling, sawing, bursting and crushing, and surface preparation. Concrete demolition services are usually functions performed by subcontractors in (i) general building works, especially for alteration and redevelopment projects; and (ii) civil engineering works. Concrete demolition work can be applied in various situations, such as the construction of underground utilities, creation of openings for elevator, door, and window installation, redevelopment of buildings, roads, tunnels and underground facilities, removal of concrete during building construction, and the preparation of road surfaces.

According to the Census and Statistics Department of the Government, the gross value of construction works performed for demolition and site preparation industry grew from approximately HK$13,511.5 million in 2013 to approximately HK$19,580.1 million in 2014. The increase was mainly due to the Policy Address announced by the Government for increasing both land and housing supply in the short, medium and long terms. These development plans would continue to stimulate the demand for construction works, thus boosting the demand for concrete demolition services in Hong Kong for the next five years.

FINANCIAL REVIEW

Revenue

During the Reporting Period, all of our Group's revenue was derived from concrete demolition service rendered to the Group's customers and was generated in Hong Kong. The Group's revenue for the Reporting Period was approximately HK$90.3 million, representing an increase of approximately 1.0% from the previous year (2014: approximately HK$89.4 million). The increase was mainly attributable to the growth of the concrete demolition business, which was reflected in (i) the rise in our general subcontract fee as a result of the increase in work demand coupled with the shortage of reliable labours for concrete demolition services in Hong Kong; and (ii) the increase in the amount of jobs undertaken by our Group during the Reporting Period.

Gross Profit and Gross Profit Margin

Our Group's gross profit slightly decreased from approximately HK$31.1 million for the year ended 31 December 2014 to approximately HK$30.6 million for the Reporting Period, representing a decrease of approximately 1.6%. Such decrease was mainly due to the increase of the Group's cost of sales during the Reporting Period, such as subcontracting charges, staff costs, depreciation and transportation expenses.

Administrative and Other Operating Expenses

Our Group's general and administrative expenses decreased to approximately HK$17.1 million for the Reporting Period from approximately HK$23.7 million for the year ended 31 December 2014, which represented a decrease of approximately 28.1%. Such decrease was mainly due to the listing expenses of approximately HK$9.0 million incurred during 2014 which was non-recurring in nature.

Net Profit and Net Profit Margin

Our Group's net profit for the Reporting Period was approximately HK$10.6 million (2014: approximately HK$4.8 million), representing an increase of approximately 120.1% on a year-on-year basis, mainly due to the net effect of the absence of non-recurring listing expenses incurred in 2014 and the increase in staff costs as well as Directors' emoluments. The Group's net profit margin for the Reporting Period amounted to approximately 10.8% (2014: approximately 5.4%).

Use of Proceeds

The net proceeds from the placing of the shares of the Company in connection with the listing (the "Listing") was approximately HK$ 31.2 million. During the period from 15 August 2014 (the "Listing Date") to 31 December 2015 (the "Review Period"), the net proceeds from the Listing were applied as follows:

	Planned use of proceeds as stated in the Prospectus during the Review Period HK$ million	**Actual use of proceeds during the Review Period** HK$ million
Enhancing machinery and equipment	11.4	6.7
Strengthening manpower	3.0	1.7
Increasing marketing efforts	0.9	0.9
Repayment of bank borrowings	5.5	5.5

The business objectives, future plans and planned use of proceeds as stated in the Company's prospectus dated 7 August 2014 (the "Prospectus") were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

Sales and Marketing

One of the success factors of the Group has been our good relationship with our customers, the foundation of which has been built on mutual trust, high and consistent standard and quality of work, punctual deliverables, upheld spirit of our staff, and effective communication with customers, etc. The Group harvests these strengths and maintains active and long-term relationship with customers in the construction industry to explore future potential business opportunities. The concrete demolition jobs are usually awarded by way of quotation requested by customers in both private and public sectors. Therefore, maintaining close relationship with the customers are of paramount importance. The Group will continue to leverage its strong network in the industry and reinforce marketing efforts to secure more projects and maximise investors' return.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2015, the Group had cash and bank deposits of approximately HK$95.5 million (2014: approximately HK$41.0 million). The net increase was mainly due to net cash inflow from operating activities and the proceeds from Directors' borrowings.

The gearing ratio of the Group as at 31 December 2015 (defined as total borrowings including interest bearing and non-interest bearing, divided by the Group's total equity) was approximately 0.7 (2014: approximately 0.1).

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Reporting Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Foreign Exchange Risk

The Group only operates in Hong Kong and most of the operating transactions, revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, our Directors are of the view that the Group's risk in foreign exchange is insignificant and that the Group should have sufficient resources to meet foreign exchange requirements as and if it arises. Therefore, the Group has not engaged in any derivative to hedge its exposure to foreign exchange risk.

Material Acquisition and Disposal of Subsidiaries and Associated Companies

The Group has no material acquisition and disposal of subsidiaries and associated companies during the Reporting Period.

Debts and Charge on Assets

As at 31 December 2015, the total borrowings of the Group amounted to approximately HK$55.7 million as compared to approximately HK$2.6 million as at 31 December 2014. The increase was principally due to the increase in Directors' borrowings for general working capital purpose. The annual interest rates of the borrowings for the Reporting Period ranged from 3.25% to 6.25% (2014: 3.25% to 6.25%) per annum. All of the borrowings was accounted for as current liabilities of the Group (2014: approximately 72.0%). The borrowings repayable within one year amounted to approximately HK$730,000. All of the above are denominated in Hong Kong Dollars.

As at 31 December 2015, finance lease liabilities are secured by certain fully depreciated plant and machinery of the Group (2014: secured by aggregated net book value of approximately HK$1.5 million).

Significant Investments and New Business

During the Reporting Period, the Group had no significant investment other than the Group's ordinary principal activities, and the Group had not commenced any new business.

Events after the Reporting Period

Memorandum of understunding

As disclosed in the Company's announcement dated 22 January 2016, the Company entered into a memorandum of understanding (the "MOU") dated 22 January 2016 with Time Season Investments Limited (the "Target Company"), pursuant to which the Company proposed to acquire the issued share capital of the Target Company (the "Proposed Acquisition"). The Target Company is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. LED International (Far East) Limited ("LED Company") is a company incorporated in Hong Kong with limited liability and is an investment holding company. As at the date of this announcement and to the best knowledge of the Directors, the entire issued share capital of LED Company is owned by the Target Company. Kepu Electronic Technical (Shenzhen) Company Limited ("Kepu Company") is a company established in the PRC with limited liability and is principally in, among others, the research, development and manufacturing of LED digital modules, LED digital tube, LED full color matrix, LED light strips. As at the date of this announcement and to the best knowledge of the Directors, the entire equity interest of Kepu Company is owned by LED Company.

Acquisition of Listed Securities

On 7 March 2016, Forever Rise Investment Limited (長昇投資有限公司), an indirect wholly-owned subsidiary of the Company, acquired 9,611,000 shares of JF Household Furnishings Limited (a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange (Stock Code: 776)) from an independent third party at the consideration of approximately HK$38.9 million (excluding transaction cost) in cash (the "Acquisition"). As one or more of the applicable percentage ratios in respect of the Acquisition as calculated under Rule 19.07 of the GEM Listing Rules is greater than 5% and all the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements. For details, please refer to the announcement of the Company dated 8 March 2016.

Employee and Remuneration Policies

As at 31 December 2015, the Group employed 76 staff. Total employee costs for the Reporting Period including directors' emoluments, amounted to approximately HK$20.4 million (2014: approximately HK$18.3 million).

The salary and benefit levels of the employees of the Group are competitive. This is very important as the construction industry has been experiencing labour shortage in general. Individual performance of our employees is rewarded through the Group's salary and bonus system. In addition, the Group provides adequate job training to employees in order to equip them with practical knowledge and skills to tackle situations and challenges encountered in diverse work sites.

Final Dividend

The Board did not recommend payment of final dividend to shareholders of the Company for the Reporting Period.

Comparison between Business Objectives with Actual Business Progress

An analysis comparing the business objectives as set out in the Prospectus for the Review Period with the Group's actual business progress up to the date of this announcement is set out below:

Business objectives for the Review Period	Actual business progress from the Listing Date up to the date of this announcement
1. Enhancing machinery and equipment	
• Purchase additional new machinery including 1 set of additional remote controlled demolition robot as well as other concrete demolition machinery, equipment, tools and accessories to improve our efficiency and technical capability	New machinery with the amount of approximately HK$6.7 million was acquired to enhance our efficiency and technical capability, including 2 sets of additional remote controlled demolition robot amounting to approximately HK$2.7 million
• Evaluate the effectiveness and efficiency of new machinery and assess our need for additional machinery in view of our business development and obtain quotation for new machinery	Search and identification of suitable machinery on an ongoing basis by (1) reviewing professional journals, expert review reports on new technology and machinery, product catalogues and specifications, (2) attending trade exhibitions and industry conferences, and (3) referral and reference
2. Strengthening manpower	
• Recruit about 7 additional experienced project management and execution staff to strengthen our frontline manpower	8 experienced execution staff were recruited to strengthen our frontline manpower
• Recruit about 3 additional experienced staff to strengthen our machinery repair and maintenance team	1 experienced staff was recruited to strengthen our machinery repair and maintenance team
• Provide our workers with and sponsor our workers to attend training courses on different types of concrete demolition methods, operation of different types of machinery, as well as work safety	The Group has incurred approximately HK$240,000 in supporting our workers to attend training and workshop in order to increase safety awareness and improve productivity
3. Increasing marketing efforts	
• Place advertisements through online channels and in industry magazines and publications, and sponsor events in the engineering and construction industries in Hong Kong to promote industry players' awareness of our Group	The Group had incurred approximately HK$2.7 million in marketing effort

Business objectives for the Review Period	Actual business progress from the Listing Date up to the date of this announcement
• Perform direct mailings of revamped corporate brochures to potential customers based on our research of new construction projects on our subscribed industry database, revamp our corporate website and brochure	The Group has revamped its corporate website and brochure as planned. In addition, the Group constantly monitors potential construction and engineering projects in Hong Kong by way of subscription to relevant industry database. When an opportunity arises, the Group will actively secure the potential project by deploying various direct marking efforts
• Actively approach and develop relationship with main contractors to obtain and secure new business opportunities	The Group continues to actively maintain good and/ or develop new relationship with main contractors to obtain and secure new business opportunities

Prospects

We believe that we have several business strengths and competitive advantages that set us apart from our rivals and enable us to continue our growth and enhance our profitability. Such strengths and competitive advantages include (1) 34 years of presence and well-established reputation in the concrete demolition industry in Hong Kong; (2) possession of dedicated and proficient labour force coupled with a variety of cutting-edged concrete demolition machinery; and (3) experienced in-house repair and maintain mechanics to get the work done well, right, and quick.

The Directors consider that there will be both opportunities and challenges for the Group's concrete demolition business in 2016. On the one hand, the rapid development for railway and highway infrastructure in Hong Kong presents promising opportunities for the concrete demolition industry, primarily because concrete-based structures such as rails, bridges and tunnels have to be molded or modified by way of excavating concretes. Therefore, the rising number of transportation networks will continue to drive the concrete demolition industry in Hong Kong. However, on the other hand, the Group is expected to continue to face tough operating environment resulting from increasing costs of operation including, in particular, labour cost and cost of raw materials and consumables, as well as keen price competition from competitors in the concrete demolition sector in Hong Kong. Furthermore, some of the concrete demolition jobs undertaken by the Group were part of certain public sector projects, which may be postponed due to the slow approval progress of infrastructure projects by the Legislative Council of Hong Kong and the Finance Committee of the Legislative Council of Hong Kong, resulting in potential delays and possible decrease in job opportunities in the concrete demolition sector in Hong Kong.

In addition, as disclosed in the Company's announcement dated 22 January 2016, the Company is contemplating the Proposed Acquisition. In order to maximise return to the Company and its shareholders in the long run, the Directors consider that it is in the interest of the Company and its shareholders to enter into the MOU to explore the possibility of diversification of the business of the Company and its subsidiaries. The Proposed Acquisition, should it materialise, will improve the Group's future earnings ability which will be in the best interests of the Company and its shareholders as a whole.

As disclosed in the announcement of the Company dated 22 January 2016, in order to maximize return to the Group and the shareholders of the Company in the long run, the Group is seeking an opportunity to enter into the market for environmentally friendly products, which will include but not limited to the manufacture of LED digital modules, LED related matrix, LED digital tube and LED light strips. In connection with the above objective, the Group has also been contemplating trading opportunity in relation to products of complete illuminating and light management systems as well as lighting solutions.

INTERESTS IN COMPETING BUSINESS

Having made specific enquiry of all Directors and the controlling shareholders, all of them have confirmed that neither themselves nor their respective close associates (as defined in the GEM Listing Rules) had held any position or had interest in any businesses or companies that were or might be competing with the business of the Group, or gave rise to any concern regarding conflict of interests during the Reporting Period.

All the independent non-executive Directors are delegated with the authority to review the non-competition undertakings (the "Non-Competition Undertakings") given under the deeds of non-competition dated 2 August 2014 entered into by each of Mr. Pei Wing Fu ("Mr. Pei"), Ms. Lau Kwai Fong ("Mrs. Pei") and Power Key Investments Limited ("Power Key") in favour of the Company and its subsidiaries. The independent non-executive Directors were not aware of any non-compliance of the Non-Competition Undertakings given by Mr. Pei, Mrs. Pei and Power Key from the date of the Non-Competition Undertakings and up to the date of this announcement. Each of Mr. Pei, Mrs. Pei and Power Key has confirmed that he/she/it had complied with the Non-Competition Undertakings given by him/her/it from the date of the Non-Competition Undertakings and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CORPORATE GOVERNANCE CODE

Throughout the Reporting Period, the Company has complied with the applicable code provisions of the Code except for the deviations from code provision A.2.1 of the Code as explained below:

Code provision A.2.1 of the Code requires that the roles of chairman and chief executive officer should be separate and not performed by the same individual. Mr. Pei has been managing the Group's business and overall strategic planning since May 1991. The Directors believe that the vesting of the roles of chairman and chief executive officer in Mr. Pei is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to the Group. Accordingly, the Company has not segregated the roles of its chairman and chief executive officer as required by code provision A.2.1 of the Code. Except for code provision A.2.1 of the Code, the Company's corporate governance practices have complied with the Code as set out in Appendix 15 to the GEM Listing Rules during the Reporting Period.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "Code of Conduct"). Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct throughout the Reporting Period.

INTERESTS OF COMPLIANCE ADVISER

As at the date of this announcement, as notified by the Company's compliance adviser, Dakin Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 29 January 2016, neither the Compliance Adviser nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 2 August 2014 ("the Scheme"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. No share options has been granted since the adoption of the Scheme and there were no share option outstanding as at 31 December 2015.

CHANGE OF COMPLIANCE ADVISER

The Company and Messis Capital Limited ("MCL") have mutually agreed to terminate the compliance adviser's agreement dated 13 May 2014 entered into between the Company and MCL with effect from 31 January 2016 due to the consideration of fee levels. Dakin Capital Limited has been appointed as the new compliance adviser to the Company pursuant to Rule 6A.27 of the GEM Listing Rules with effect from 1 February 2016. For further details, please refer to the announcement of the Company dated 29 January 2016.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information that is publicly available to the Company, at least 25% of the Company's issued share capital were held by the public as at the date of this announcement.

AUDITORS

HLB Hodgson Impey Cheng Limited ("HLB") shall retire in the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of HLB as auditors of the Company will be proposed at the AGM. The Company has not changed its external auditors during the year ended 31 December 2015 and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established the Audit Committee on 2 August 2014 with its written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Code. The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. The Audit Committee consists of three members, namely Mr. Tsang Wai Wa (Chairman), Prof. Lam Sing Kwong Simon and Ms. Wong Wai Ling.

The Audit Committee has reviewed this announcement and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2015 have been agreed by the Group's auditors, HLB, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB on the preliminary announcement.

By order of the Board
Glory Flame Holdings Limited
Pei Wing Fu
Chairman

Hong Kong, 21 March 2016

As at the date of this announcement, the executive Directors are Mr. Pei Wing Fu, Ms. Pei Wing Sze Clare, Ms. Che Xiaoyan, Mr. Chong Yu Keung and Mr. Liu Zhong Ping; the non-executive Director is Mr. Zheng Si Rong; and the independent non-executive Directors are Prof. Lam Sing Kwong Simon, Ms. Wong Wai Ling, Ms Lee Suk Fong, Mr. Tsang Wai Wa and Mr. Liu Ping .

This announcement will remain on the "Latest Company Announcements" page of the Stock Exchange's website at www.hkexnews.hk for 7 days from the date of its posting. This announcement will also be posted on the Company's website at www.drillcut.com.hk.