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 2016

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 2016, the operating results of the Group were as follows:

- Revenue amounted to approximately HK$129.0 million (2015: approximately HK$90.3 million), representing an increase of approximately 42.9% from last year;

- Net loss for the year ended 31 December 2016 amounted to approximately HK$69.2 million (2015: net profit of approximately HK$10.6 million);

- Basic and diluted loss per share for the year ended 31 December 2016 based on weighted average number of ordinary shares was approximately HK$9.92 cents (2015: Basic and diluted earnings per share of approximately HK$1.71 cents);

- The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016 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	
		2016	2015
	Notes	**HK$'000**	HK$'000
Revenue	*4*	**128,964**	90,260
Cost of sales		**(101,504)**	(59,627)
Gross profit		**27,460**	30,633
Other income and net gains	*5*	**542**	393
Share-based payments		**(13,023)**	–
Loss on disposal of financial assets at fair value through profit or loss		**(8,662)**	–
Fair value loss on contingent consideration		**(1,142)**	–
Impairment losses on various assets	*8*	**(28,261)**	(31)
Administrative and other operating expenses		**(41,918)**	(17,024)
Operating (loss)/profit		**(65,004)**	13,971
Finance costs		**(1,998)**	(308)
(Loss)/profit before income tax		**(67,002)**	13,663
Income tax	*7*	**(2,241)**	(3,049)
(Loss)/profit for the year	*8*	**(69,243)**	10,614
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**8**	–
Total other comprehensive income for the year		**8**	–
Total comprehensive (loss)/income for the year		**(69,235)**	10,614
(Loss)/profit for the year attributable to:			
Owners of the Company		**(68,092)**	10,614
Non-controlling interests		**(1,151)**	–
		(69,243)	10,614
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(68,075)**	10,614
Non-controlling interests		**(1,160)**	–
		(69,235)	10,614
(Loss)/earnings per share	*10*		
Basic (cents per share)		**(9.92)**	1.71
Diluted (cents per share)		**(9.92)**	1.71

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2016	2015
	Notes	**HK$'000**	HK$'000
Non-current assets			
Property, plant and equipment		**16,668**	14,167
Goodwill		**52,665**	–
Intangible assets		**5,880**	–
		75,213	14,167
Current assets			
Inventories		**248**	1,272
Trade and other receivables	*11*	**101,929**	35,816
Bank and cash balances	*12*	**26,697**	95,528
		128,874	132,616
Current liabilities			
Trade and other payables	*13*	**20,595**	7,101
Loan from a director		**–**	55,000
Loan from a former director		**50,000**	–
Finance lease payables		**–**	730
Tax payable		**562**	928
		71,157	63,759
Net current assets		**57,717**	68,857
Total assets less current liabities		**132,930**	83,024
Non-current liabilities			
Contingent consideration		**21,889**	–
Deferred tax liabilities		**838**	1,431
		22,727	1,431
NET ASSETS		**110,203**	81,593
Capital and reserves			
Share capital	*14*	**7,600**	6,200
Reserves		**103,588**	75,393
Equity attributable to owners of the Company		**111,188**	81,593
Non-controlling interests		**(985)**	–
TOTAL EQUITY		**110,203**	81,593

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. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company's principal place of business in Hong Kong has been changed from Suites 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong to Room 1901, 19th Floor, COFCO Tower, No. 262 Gloucester Road, Causeway Bay, Hong Kong. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are provision of concrete demolition, research and trading of LED Cultivation Cabinet, trading of LED light sources for decoration and manufacturing and sales of prestressed high strength concrete piles.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. SEGMENT INFORMATION

The Group has four reportable segments as follows:

Construction related services	Provision of concrete demolition services
LED products	Trading of LED light sources for decoration
Prestressed high strength concrete piles	Manufacturing and trading of prestressed high strength concrete piles
Ecological LED Cultivation Cabinet System	Trading of LED Cultivation Cabinet

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment profits or losses do not include interest income, income tax, gains or losses from investments and other unallocated corporate income and expenses. Segment assets do not include bank and cash balance and other unallocated corporate assets. Segment liabilities do not include loan from a former director, current tax liabilities, deferred tax liabilities and other unallocated corporate liabilities.

Information about reportable segment profit or loss, assets and liabilities:

	Construction related services HK$'000	LED products HK$'000	Prestressed high strength concrete piles HK$'000	Ecological LED Cultivation Cabinet System HK$'000	Total HK$'000
Year ended 31 December 2016:					
Revenue from external customers	**87,660**	**31,074**	**9,586**	**644**	**128,964**
Segment profit/(loss)	**12,838**	**(44,003)**	**(1,008)**	**(1,041)**	**(33,214)**
Depreciation	**5,893**	**203**	**–**	**–**	**6,096**
Impairment loss on trade receivables, net	**227**	**22,876**	**–**	**–**	**23,103**
Impairment loss on trade deposits	**–**	**5,158**	**–**	**–**	**5,158**
Additions to segment non-current assets	**371**	**4,425**	**–**	**3,801**	**8,597**
At 31 December 2016:					
Segment assets	43,073	40,260	63,371	26,752	173,456
Segment liabilities	5,332	3,461	32,476	177	41,446
Year ended 31 December 2015:					
Revenue from external customers	90,260	–	–	–	90,260
Segment profit	18,960	–	–	–	18,960
Depreciation	7,089	–	–	–	7,089
Impairment loss on trade receivables, net	83	–	–	–	83
Additions to segment non-current assets	7,757	–	–	–	7,757
At 31 December 2015:					
Segment assets	50,665	–	–	–	50,665
Segment liabilities	7,029	–	–	–	7,029

Reconciliations of reportable segment profit or loss, assets and liabilities:

	2016 HK$'000	2015 HK$'000
Profit or loss:		
Total profit or loss of reportable segments	**(33,214)**	18,960
Share-based payments	**(13,023)**	–
Loss on disposal of financial assets at fair value through profit or loss	**(8,662)**	–
Corporate and unallocated profit or loss	**(12,103)**	(5,297)
Consolidated profit or loss before tax	**(67,002)**	13,663
Assets:		
Total assets of reportable segments	**173,456**	50,665
Bank and cash balances	**26,697**	95,528
Corporate and unallocated assets	**3,934**	590
Consolidated total assets	**204,087**	146,783
Liabilities:		
Total liabilites of reportable segments	**41,446**	7,029
Loan from a former director/a director	**50,000**	55,000
Corporate and unallocated liabilities	**2,438**	3,161
Consolidated total liabilities	**93,884**	65,190

4. REVENUE

The Group's revenue is analysed as follows:

	2016 HK$'000	2015 HK$'000
Provision of concrete demolition services	**87,660**	90,260
Trading of LED light sources for decoration	**31,074**	–
Manufacturing and trading of prestressed high strength concrete piles	**9,586**	–
Trading of LED Cultivation Cabinet	**644**	–
	128,964	90,260

5. OTHER INCOME AND NET GAINS

	2016 HK$'000	2015 HK$'000
Bank interest income	**3**	62
Gain on disposal of property, plant and equipment	**–**	112
Reversal of impairment losses on trade and retention receivables	**101**	120
Exchange gain/(loss)	**152**	(39)
Others	**286**	138
	542	393

6. ACQUISITION OF SUBSIDIARIES

On 8 November 2016, the Group acquired 51% of the issued share capital of Mansion Point International Limited (the "Mansion Point") and its subsidiaries including 南靖高科建材有限公司(“南靖高科”), engaging in the business of manufacturing and trading of prestressed high strength concrete piles, for a total agreement consideration of HK$66,000,200 which is comprised of a cash consideration HK$11,600,000 and 142,000,000 ordinary shares (the "Consideration Shares") of the Company at HK$0.3831. 50,000,000 Consideration Shares have been allotted and issued during the year. Under the contingent consideration arrangement, 42,000,000 and 50,000,000 of the Consideration Shares (the "Second and Third installment") will be allotted and issued within fifteen days after the announcement of annual results of the Company for the year ended 31 December 2017 and 31 December 2018 respectively. The Second and Third installment will be adjusted subject to the audited net profit of 南靖高科 for the year ended 31 December 2017 and 31 December 2018 respectively. The range of potential Consideration Shares that the Group could be required to allot and issue under the contingent consideration arrangement is between zero and 92,000,000.

Mansion Point is an investment holding company. The principal activities of Mansion Point's subsidiaries are manufacturing and trading of prestressed high strength concrete piles.

The fair value of the identifiable assets and liabilities of Mansion Point Group acquired as at its date of acquisition is as follows:

	HK$'000
Bank and cash balances	11
Other receivables	353
Other payables	(7)
Total identifiable net assets at fair value	357
Non-controlling interests	(175)
Goodwill	52,665
Consideration transferred	52,847
Satisfied by:	
Cash	11,600
50,000,000 ordinary shares at fair value on completion date 8 November 2016	20,500
Contingent consideration at fair value on completion date 8 November 2016	20,747
	52,847

7. INCOME TAX

	2016 **HK$'000**	2015 HK$'000
Current tax – Hong Kong profits tax:		
Provision for the year	**2,819**	2,964
Under/(over)-provision in prior years	**15**	(72)
	2,834	2,892
Deferred tax	**(593)**	157
Income tax expense	**2,241**	3,049

Hong Kong Profits Tax is provided at 16.5% (2015: 16.5%) based on the assessable profit for the year.

No provision for the People's Republic of China (the "PRC") Enterprise Income Tax made as the subsidiaries operating in the PRC have no assessable profits for both years.

8. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging/(crediting) the following:

	2016 HK$'000	2015 HK$'000
Cost of inventories sold	**101,504**	59,627
Depreciation	**6,096**	7,089
Gain on disposals of property, plant and equipment	**–**	(112)
Impairment loss on various assets		
Trade receivables	**23,103**	31
Trade deposits	**5,158**	–
	28,261	31
Fair value loss on contingent consideration	**1,142**	–
Staff costs (including directors' remuneration)		
Salaries, bonus and allowances	**26,006**	19,597
Share-based payments	**11,287**	–
Retirement benefits scheme contributions	**901**	802
	38,194	20,399
Share-based payments to consultant	**1,736**	–
Auditor's remuneration	**790**	600

9. DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2016 (2015: nil).

10. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic loss (2015: earnings) per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$68,092,000 (2015: profit attributable to owners of the Company of approximately HK$10,614,000) and the weighted average number of ordinary shares of 686,639,000 (2015: 620,000,000) in issue during the year.

Diluted (loss)/earnings per share

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2016 and there were no potential ordinary shares for the year ended 31 December 2015.

11. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**69,545**	29,559
Less: allowance for impairment of trade receivables	**(23,287)**	(176)
Trade receivables, net	**46,258**	29,383
Retention receivables	**2,966**	5,361
Less: allowance for impairment of retention receivables	**(84)**	(92)
Retention receivables, net	**2,882**	5,269
Prepayments and trade deposits	**51,087**	783
Other deposits and receivables	**1,702**	381
	101,929	35,816

The Group allows an average credit period of 45 days to its trade customers. The following is ageing analysis of trade receivables based on invoice date is as follows:

	2016 HK$'000	2015 HK$'000
0 - 30 days	**18,166**	7,693
31 - 60 days	**6,708**	6,767
61 - 90 days	**4,785**	3,721
91 - 365 days	**13,531**	8,759
Over 365 days	**3,068**	2,443
	46,258	29,383

As of 31 December 2016, trade receivables of approximately HK$24,461,000 (2015: HK$22,263,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016 HK$'000	2015 HK$'000
0 - 30 days	**7,677**	7,275
31 - 60 days	**4,247**	3,575
61 - 90 days	**1,954**	3,625
91 - 365 days	**7,807**	5,519
Over 365 days	**2,776**	2,269
	24,461	22,263

12. BANK AND CASH BALANCES

As at 31 December 2016, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$119,000 (2015: nil). Conversion of RMB into foreign currencies is subject to the People's Republic of China (the "PRC") Foreign Exchange Control Regulations.

13. TRADE AND OTHER PAYABLES

	2016 **HK$'000**	2015 HK$'000
Trade payables	**15,791**	4,680
Accruals	**2,735**	2,421
Other payables	**2,069**	–
	20,595	7,101

Notes:

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:

	2016 **HK$'000**	2015 HK$'000
0 - 30 days	**10,229**	2,380
31 - 60 days	**28**	114
Over 90 days	**5,534**	2,186
	15,791	4,680

14. SHARE CAPITAL

	Notes	**Number of ordinary shares**	**Ordinary shares** HK$'000
Authorised:			
Ordinary shares of HK$0.01 each:			
As at 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016		2,000,000,000	20,000

		Number of ordinary shares	**Ordinary shares** HK$'000
Issued and fully paid:			
Ordinary shares of HK$0.01 each:			
As at 1 January 2015, 31 December 2015 and 1 January 2016		620,000,000	6,200
Issue of shares on placement	*(a)*	90,000,000	900
Issue of shares on acquisition of subsidiaries	*(b)*	50,000,000	500
As at 31 December 2016		760,000,000	7,600

Notes:

(a) Completion of the share placement took place on 5 May 2016 pursuant to which 90,000,000 placement shares were issued under the placement agreement at the placement price of HK$0.72 per placing share at an aggregate consideration of approximately HK$64,800,000, of which approximately HK$900,000 was credited to share capital and the remaining balance of approximately HK$63,247,000 (net of issuing expenses of approximately HK$653,000) was credited to the share premium account. Details of the placement were set out in the Company's announcements dated 8 April 2016 and 5 May 2016.

(b) 50,000,000 ordinary shares have been allotted and issued as the part of the consideration of the acquisition of Mansion Point Group during the year. An aggregate consideration of approximately HK$20,500,000 of which HK$500,000 was credited to share capital and the remaining balance of HK$20,000,000 was credited to the share premium amount. For details, please refer to note 6 to this result announcement.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The Directors consider that the new reclassification of the accounting items is more appropriate presentation to reflect the principal activities and financial results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The principal activity of the Company is investment holding. For the year ended 31 December 2016 (the "Reporting Period" or "FY16"), the Group mainly engages in (i) the provision of concrete demolition services, and manufacturing and trading of prestressed high strength concrete piles (the "Construction Related Business") and (ii) trading of LED light sources for decoration and the Ecological LED Cultivation Cabinet System (the "LED Products").

(i) Construction Related Business

(a) Concrete demolition services

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.

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.

(b) Prestressed high strength concrete piles

Prestressed concrete pile is one of the major types of foundation products used in the building and construction industry. It is typically used as part of foundation for building and infrastructure projects that are built on an unstable or soft layer of land that requires long and deep foundations in order to reach the underlying stable rock layer. Prestressed concrete piles support the building and infrastructure structures by transferring the heavy loads and forces exerted by such structures onto the underlying stable rock layer.

The Group was engaging in the trading of the prestressed concrete piles in order to fulfil the outstanding sales orders of Zhangzhou Tapai Concrete Components Company Limited (漳州塔牌混凝土構件有限公司) that is as part of conditions of the business transfer agreement dated 10 October 2016. As at 31 December 2016, the Group has not commenced the manufacturing of prestressed concrete piles.

(ii) LED Products

(a) LED light sources for decoration

The business of trading of LED light sources for decoration was commenced in January 2016 through a wholly-owned subsidiary of the Company in Hong Kong. The principal activity of the subsidiary is to deliver finished goods to an importer in the United States.

LED market has reach its maturity when energy savings are of paramount importance to all users around the world. Energy policies encourage technologies that can offer maximum energy savings and the market of LED light source for decoration falls into that category. LED light sources is considered to be environmentally friendly because of its comparative advantage over conventional light sources in terms of energy saving efficiency and product durability. There is an increase in customer acceptance on using LED light sources. It is expected that LED would eventually replace conventional light sources in future.

(b) Ecological LED Cultivation Cabinet System

In mid-2016, the Group invested directly in the research and development of its own Ecological LED Cultivation Cabinet System and successfully produced the first prototype of the system. The Group intends to market and promote the LED Cultivation Cabinet in PRC through distributors who have already established good relationships with an existing customer base of resellers and retailers. In December 2016, the Company has commenced the trading of Ecological LED Cultivation Cabinet in China and it contributed revenue of approximately HK$0.6 million to the Group.

FINANCIAL REVIEW

Revenue

Revenue increased by approximately HK$38.7 million or 42.9% from approximately HK$90.3 million for the year ended 31 December 2015 (the "FY15") to approximately HK$129.0 million for the Reporting Period. The analysis of revenue was shown as follows:

Revenue by nature

	FY16	FY15
	HK$'000	HK$'000
Concrete demolition services	**87,660**	90,260
Prestressed concrete pile	**9,586**	–
LED light sources for decoration	**31,074**	–
LED Cultivation Cabinet	**644**	–
	128,964	90,260

Concrete demolition services

For the Reporting Period the revenue attributable to the provision for concrete demolition services was approximately HK$87.7 million, representing a decrease of approximately 2.9% as compared with approximately HK$90.3 million of FY15. The decrease was attributable to the increasing price competition in certain concrete demolition jobs and a decrease in the amount of jobs undertaken by the Group during the Reporting Period.

Prestressed concrete pile

For the Reporting Period, the revenue attributable to the prestressed concrete pile was approximately HK$9.6 million. The revenue was generated by trading of the prestressed concrete piles for the outstanding sales orders of Zhangzhou Tapai Concrete Components Company Limited (漳州塔牌混凝土構件有限公司), which is a part of conditions of the business transfer agreement dated 10 October 2016. During the year ended 31 December 2016, there are no revenue generated for manufacturing of prestressed concrete pile as the acquisition of plant and machinery has not yet been completed.

LED light sources for decoration

For the Reporting Period, the revenue attributable to LED light sources for decoration was approximately HK$31.1 million. The Group commenced the trading of LED light sources for decoration in January 2016.

During the Reporting Period, the Group mainly counted on one key customer to generate revenue from the LED light sources for decoration. However, due to the customer's unsatisfactory payment record during the first half year, the Group withheld certain supply of goods to the customer, resulting in a significant decrease in sales during the second half year in 2016. In the fourth quarter in 2016, the Group suspended the delivery of finished goods to the customer. As a result, the Group recorded loss of approximately HK$44.0 million in this segment mainly due to provision for impairment loss of trade receivables and trade deposits.

The Group was undergoing the negotiation of the payment schedule and started to receive the payment for the certain past due invoices in March 2017. The Group expected the sales of LED light sources for the decoration to the customer will be resumed in the second quarter of 2017. In addition, in order to mitigate the risk of the concentration of customer base, the Group was striving to broaden our customer base and achieve the healthy growth in the business of LED light sources for decoration.

LED Cultivation Cabinet

For the Reporting Period, the revenue attributable to LED Cultivation Cabinet was approximately HK$0.6 million. The Group currently markets the LED Cultivation Cabinet through a regional distributor in one region of the PRC. The Group was negotiating the distributors in the other regions of the PRC and expected to market and promote the LED Cultivation cabinet throughtout the PRC.

Gross Profit and Gross Profit Margin

Our Group's gross profit decreased from approximately HK$30.6 million in FY15 to approximately HK$27.5 million for the Reporting Period, representing a decrease of approximately 10.1%. Such decrease was mainly due to a decrease of approximately HK$4.3 million in gross profit attributable to the segment of concrete demolition services, resulting from an increase in subcontracting costs involved.

Administrative and Other Operating Expenses

Our Group's general and administrative expenses increased to approximately HK$41.9 million for the Reporting Period from approximately HK$17.0 million in FY15. Such increase was mainly due to (i) an increase in the operating expenses arising from the new businesses of LED Products, including staff cost (including directors remuneration), rental expenses and other professional fees; and (ii) research costs of approximately HK$2.4 million incurred in connection with the development of LED cultivation cabinet system, a new business of the Group.

Loss Attributable to Owners of the Company

Our Group's net loss for the Reporting Period was approximately HK$69.2 million (2015: net profit of approximately HK$10.6 million), mainly due to a combined effect of (i) a decrease of approximately HK$3.1 million in gross profit during the Reporting Period, (ii) an increase of approximately HK$24.9 million in administrative expenses during the Reporting Period, (iii) share-based payment of approximately HK$13.0 million was recognized during the Reporting Period, which was not incurred in the prior year; (iv) a loss of approximately HK$8.7 million on disposal of financial assets at fair value through profit or loss during the Reporting Period; and (v) an impairment loss of approximately HK$28.2 million on trade receivable and trade deposit during the Reporting Period.

Use of Proceeds of Initial Public Offerings

The net proceeds from the placing of the shares of the Company (the "Share(s)") 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 2016 (the "Reporting Period"), the net proceeds from the Listing were applied as follows:

	Planned use of proceeds as stated in the Prospectus during the Reporting Period	**Actual use of proceeds during the Reporting Period**
	HK$ million	HK$ million
Enhancing machinery and equipment	16.4	7.1
Strengthening manpower	4.6	2.4
Increasing marketing efforts	1.7	1.7
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.

Placing of New Shares Under General Mandate

On 8 April 2016, the Company entered into a placing agreement with CNI Securities Group Limited as the placing agent for the placing of up to 124,000,000 Shares at the placing price of HK$0.72 per placing Share (the "Placing"). The Company intended to use all the net proceeds as additional general working capital. The Placing was completed on 5 May 2016 and an aggregate of 90,000,000 placing Shares were allotted and issued to not less than six investors, who and their respective ultimate beneficial owners are individual investors, being third parties independent of the Company and its connected persons.

The net proceeds from the Placing of approximately HK$64.1 million, representing a net issue price of approximately HK$0.7128 per placing Share, have been utilized as to approximately HK$11.6 million as settlement of the cash consideration of acquisition of 51% of the issued share capital of Mansion Point International Limited and as to approximately HK$52.5 million for additional general working capital.

Sales and Marketing

One of the successful factors of the Group is 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 2016, the Group had cash and bank deposits of approximately HK$26.7 million (2015: approximately HK$95.5 million).

The gearing ratio of the Group as at 31 December 2016 (defined as total borrowings including interest bearing and non-interest bearing, divided by the Group's total equity) was approximately 0.5 (2015: approximately 0.7).

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 principally operates its businesses in Hong Kong and the PRC. The Group is exposed to foreign exchange fluctuations from various currencies, such as United States dollars and Chinese Renminbi.

Since Hong Kong dollars remains pegged to the United States dollars within a defined range, the Group is not exposed to any significant foreign exchange risk against the United States dollars. The Group has certian subsidiaries operating in mainland China, in which most of their transactions, including revenue, expenses and other financing activities, are denominated in Chinese Renminbi. The Group is not exposed to any significant foreign exchange transaction risk in relation to these currencies and had not entered into any foreign exchange contract as hedging measures against these currencies.

Material Acquisition and Disposal of Subsidiaries and Associated Companies

Details of acquisition of subsidiaries was set out in note 6 of the consolidated financial statements of the Company in this announcement.

Debts and Charge on Assets

As at 31 December 2016, the total borrowings of the Group amounted to approximately HK$50.0 million as compared to approximately HK$55.7 million as at 31 December 2015. The annual interest rates of the borrowings for the Reporting Period ranged from 0% to 5% (2015: 3.25% to 6.25%) per annum. All of the borrowings was accounted for as current liabilities of the Group. 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.

Capital Commitments

The Group does not have material capital commitment as at 31 December 2016.

Contingent Liability

As at 31 December 2016, the Group had no contingent liabilities.

New Business Development-Involvement in Public-Private Partnership projects ("PPP projects")

As part of the Group's recent business development, the Group, through a joint venture in which the Company indirectly owns 51% equity interest, established a wholly foreign owned enterprise (the "WFOE") in the PCC with a registered capital of RMB5,000,000 on 26 September 2016. The WFOE intends to engage in the business of infrastructure consultancy and agency in the PRC via PPP Projects (the "New Business"). The Group has been liaising with various capital investment companies and prospective business partners for development of the New Business in the PRC.

EVENTS AFTER THE REPORTING PERIOD

i) Requisition for an Extraordinary General Meeting

The Board has received a written requisition dated 17 February 2017 from a Mr. Wu Xiongbin ("Mr Wu" or the "Requisitionist"), purportedly holding not less than one tenth of the paid up capital of the Company and having the right of voting at general meetings (the "Requisition"), requiring the Company to convene an extraordinary general meeting ("EGM") for the transaction of the businesses specified in the Requisition.

Such businesses include proposals: (1) to appoint five individuals as directors of the Company; (2) to remove Ms. Che Xiaoyan, Mr. Liu Zhong Ping and Mr. Man Wai Lun, all of whom are executive Directors as directors of the Company; (3) to remove Mr. Chan Kam Wah and Mr. Bai Honghai, both of whom are independent non-executive Directors as directors of the Company; and (4) to remove any additional Directors appointed by the Board from 17 February 2017 to the date of the EGM as Directors.

The EGM will be held on 13 April 2017.

Please refer to the announcements of the Company dated 20 February 2017 and dated 9 March 2017 and the Notice of Extraordinary General Meeting dated 10 March 2017 for further details.

ii) Proceedings by a Shareholder

The Company has received an Originating Summons issued by Mr. Wu as the plaintiff under a High Court Miscellaneous Proceedings, naming Ms. Che Xiaoyan, Mr. Man Wai Lun, Mr. Chan Kam Wah, Mr. Bai Honghai, Mr. Shen Xingxing, Ms. Yang Nina, Mr. Li An Sheng, Mr. Guan Jincheng, Ms. Wu Chunping, Mr. Li Shunmin, Ms. Jiao Fei and the Company as defendants.

Mr. Wu as plaintiff seeks a declaration that: (1) the meeting of the Board held at around 3:15 p.m. on 17 February 2017 (the "Meeting") is invalid; (2) all resolutions passed at the Meeting are null and void; and (3) the appointment of Mr. Shen Xingxing, Ms. Yang Nina, Mr. Li An Sheng, Mr. Guan Jincheng, Ms. Wu Chunping, Mr. Li Shunmin and Ms. Jiao Fei as additional directors of the Company during the Meeting is invalid.

The Board is seeking advice as to the appropriate course of action. Further announcement will be made as and when appropriate.

Please refer to the announcement of the Company dated 27 February 2017 for further details.

iii) Suspension of duties of a non-executive Director

The Board, having considered the conduct of Mr. Wong Tik Tung (汪滌東) ("Mr. Wong") in respect of the Originating Summons issued by Mr. Wu as the plaintiff under the aforementioned High Court Miscellaneous Proceedings and sought legal advice in relation thereto, has suspended the duties of Mr. Wong as a non-executive Director with effect from 7 March 2017 on the grounds that Mr. Wong has breached his fiduciary duties and duty of confidentiality owed towards the Company.

Please refer to the announcement of the Company dated 7 March 2017 for further details.

Employee and Remuneration Policies

As at 31 December 2016, the Group employed 89 staff (2015: 76 staff). Total employee costs for the Reporting Period including directors' emoluments, amounted to approximately HK$38.2 million (FY15: approximately HK$20.4 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 for the Reporting Period (FY15: Nil).

Comparison between Business Objectives with Actual Business Progress

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

Business objectives for the Reporting 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 2 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$7.1 million was acquired to enhance our efficiency and technical capability, mainly 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

Business objectives for the Reporting Period	Actual business progress from the Listing Date up to the date of this announcement
2. Strengthening manpower	
• Recruit about 9 additional experienced project management and execution staff to strengthen our frontline manpower	19 experienced execution staff were recruited to strengthen our frontline manpower
• Recruit about 4 additional experienced staff to strengthen our machinery repair and maintenance team	3 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$300,000 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$5.2 million in marketing effort
• 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

At present, the Group is no doubt striving for progress audit hardship in a proactively way. Despite the difficulties, the management can take the challenges with an open mind and flexible attitude, and with the concerted effort made by the team, we believe we can sail through all the pressure and challenges and achieve success in the foreseeable future.

INTERESTS IN COMPETING BUSINESS

Having made specific enquiry of all Directors and the controlling Shareholders of the Company, 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 the termination of the Deed of Non-competition against him/her/it during the Reporting Period.

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 (THE "CODE")

Throughout the Reporting Period, the Company has complied with the applicable code provisions of the Code except for the deviations as follows:

i) Chairman and chief executive officer

The Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Pei Wing Fu ("Mr. Pei") served as chairman of the Board and chief executive officer of the Company during the year under review until his resignation effective on 1 October 2016. Mr. Pei had managed our Group's business and overall strategic planning since May 1991. Our Directors believed 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 our Group..

After Mr. Pei resigned as the chairman of the Board and the chief executive officer of the Company with effective from 1 October 2016, Ms. Che Xioayan was redesignated as the chairman of the Board and chief executive officer of the Company on the even date. The Board believes that Ms. Che possesses accumulated extensive experience in corporation management and business development. In view of the present rapid development in new businesses in the Group, such deviation is deemed appropriate as it is considered to be more efficient to have a single person to be the chairman of the Company as well as to discharge the function of chief executive officer with the support of the management, in which all major decisions are made in consultation with the other executive Directors. In certain core businesses, Ms. Che also delegates its power and authority to certain other executive Directors and the management who have extensive experience in these specific industries. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high caliber individuals.

ii) Board of Directors

According to Rules 5.05(1) and 5.05A of the GEM Listing Rules, 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.

According to Rule 5.28 of the GEM Listing Rules, the audit committee must comprise a minimum of 3 members, and the majority of the audit committee members must be independent non-executive Directors with appropriate professional qualifications or accounting or related financial management expertise as required in rule 5.05(2).

According to Rule 5.34 of the GEM Listing rules, the remuneration committee must be chaired by an independent non-executive Director and comprising a majority of independent non-executive Directors.

The Code provision A.5.1 stipulates that the nomination committee must comprise a majority of independent non-executive Directors.

In the annual general meeting held on 20 May 2016, Mr. Chong Yu Keung ("Mr. Chong"), Ms. Lee Suk Fong ("Ms. Lee") and Mr. Tsang Wai Wa ("Mr. Tsang") were not re-elected by the Shareholders as an executive Director, an independent non-executive Director and an independent non-executive Director, respectively. As a result, Mr. Chong, Ms. Lee and Mr. Tsang were no longer an executive Director, an independent non-executive Director and an independent non-executive Director, respectively, after the annual general meeting held on 20 May 2016. In the meantime, Ms. Lee ceased to be a member of each of the audit committee and the nomination committee of the Company. Mr. Tsang ceased to be the chairman of the audit committee and a member of the remuneration committee of the Company. As a result, there was only one independent non-executive Director remaining in the Board between 20 May and 27 May 2016. The Company was not in compliance with the requirements of the GEM Listing Rules mentioned above.

As the Board required reasonable time to find the most suitable candidates to fill the vacancies of board members, between 20 May 2016 to 27 May 2016, there are only two members in the nomination committee and only one of which is an independent non-executive Director, the Company were not in compliance with the requirements under the Code provision A.5.1.

Following the appointment of Mr. Chan Kam Wah and Mr. Bai Honghai on 27 May 2016 as the independent non-executive Directors, the Board has fulfilled the requirement under the above GEM Listing Rules and the Code provision A.5.1.

iii) Responsibilities of Directors

Under the Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Liu Ping (an independent non-executive Director) did not attend the general meeting held during the year ended 31 December 2016 because he had other commitment on the date of the general meeting.

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

Particulars of the share option scheme of the Company (the "Scheme") which was adopted on 2 August 2014 (the "Date of Adoption").

The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (fulltime and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of the Group and to promote the success of the business of the Group.

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), Director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or services provider of the Group, options to subscribe for such number of shares of the Company as it may determine in accordance with the terms of the Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

Pursuant to the Scheme, the Directors were authorised to grant options to subscribe for up to a maximum number of 62,000,000 Shares, which represented 10% of the then total issued share capital of the Company at the Date of Adoption.

Since the Date of Adoption to 31 December 2016, the total number of share options granted is 51,620,000 (note: all those share options are granted during the Reporting Period), whereas 6,200,000 were lapsed during the Reporting Period. As at 31 December 2016, none of the share options were exercised or cancelled, the number of outstanding share options issued under the Scheme is 45,420,000, representing 5.98 % of the total issued Shares as at 31 December 2016.

The total number of Share Option available for issue as at the date of this announcement is 10,380,000, representing 1.32% of the total number of issued Shares as at the date of this announcement.

The maximum number of entitlement to Shares of each grantee under the Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of the issued Shares. Any further grant of options in excess of this 1% limit shall be subject to the approval of the Shareholders in accordance with the GEM Listing Rules.

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK$1.

The subscription price of a share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

The Scheme will remain in force for a period of ten years commencing on the date on the adoption date, being 2 August 2014 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders of the Company in general meeting.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2016. The work performed by ZHONGHUI ANDA CPA Limited 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 ZHONGHUI ANDA CPA Limited on the preliminary announcement.

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") resigned as the auditors of the Group with effect from 23 November 2016. In accordance with the Articles and with the recommendation from the audit committee of the Company, the Board resolved to appointed ZHONGHUI ANDA CPA Limited ("ZH") as the new auditors of the Group to fill the casual vacancy on the even date following the resignation of HLB and to hold office until the conclusion of the next annual general meeting of the Company.

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. Chan Kam Wah (Chairman), Mr. Li An Sheng and Mr. Shen Xingxing.

The Audit Committee has reviewed this announcement and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

By order of the Board
Glory Flame Holdings Limited
Che Xiaoyan
Chairperson

Hong Kong, 24 March 2017

As at the date of this announcement, the executive Directors are Ms. Che Xiaoyan, Mr. Liu Zhong Ping, Mr. Man Wai Lun, Ms. Jiao Fei, Ms. Yang Nina, Mr. Li Shunmin and Mr. Guan Jincheng; the non-executive Directors are Mr. Zheng Si Rong, Mr. Wong Tik Tung (suspended) and Ms. Wu Chunping; and the independent non-executive Directors are Mr. Chan Kam Wah, Mr. Bai Honghai, Mr. Li An Sheng and Mr. Shen Xingxing.

This announcement will remain on the "latest Company Announcement" page of the website of the GEM at www.hkgem.com for at least seven days from the date of publication. This announcement will also be published on the website of the Company at www.gf-holdings.com.