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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JUNE 2018

CHARACTERISTICS OF THE 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.

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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.

HIGHLIGHTS

For the six months ended 30 June 2018, the operating results of the Group were as follows:

- Revenue amounted to approximately HK$78.4 million (six months ended 30 June 2017: approximately HK$63.7 million), representing an increase of approximately 23.1% as compared with the corresponding period of last year.

- Net loss amounted to approximately HK$27.3 million as compared to a net loss of approximately HK$14.1 million for the corresponding period of last year.

- Basic and diluted loss per share based on weighted average number of ordinary shares was approximately HK$2.57 cents (six months ended 30 June 2017: basic and diluted loss per share of approximately HK$1.79 cents).

- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

INTERIM RESULTS

The board ("Board") of Directors is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2018 (the "Reporting Period"), together with the unaudited comparative figures for the corresponding period in 2017, as follows:–

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

		Unaudited Three months ended 30 June		**Unaudited Six months ended 30 June**	
		2018	2017	**2018**	2017
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*4*	**43,610**	48,045	**78,401**	63,692
Cost of sales		**(38,422)**	(40,116)	**(64,107)**	(52,803)
Gross profit		**5,188**	7,929	**14,294**	10,889
Other income and net gains		**14,675**	9,890	**19,815**	10,435
Administrative and other operating expenses		**(45,392)**	(19,639)	**(58,747)**	(34,465)
Operating loss	*7*	**(25,529)**	(1,820)	**(24,638)**	(13,141)
Finance costs		**(1,500)**	(306)	**(1,500)**	(806)
Loss before income tax		**(27,029)**	(2,126)	**(26,138)**	(13,947)
Income tax expenses	*8*	**(1,158)**	(170)	**(1,187)**	(170)
Loss for the period		**(28,187)**	(2,296)	**(27,325)**	(14,117)
Other comprehensive income/(expenses):					
Items that may be reclassified to profit or loss		**(436)**	162	**(620)**	79
Total comprehensive loss for the period		**(28,623)**	(2,134)	**(27,945)**	(14,038)

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

		Unaudited		Unaudited	
		Three months ended 30 June		Six months ended 30 June	
		2018	2017	**2018**	2017
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the period attributable to:					
Owners of the Company		**(26,137)**	(1,723)	**(24,938)**	(12,921)
Non-controlling interests		**(2,050)**	(573)	**(2,387)**	(1,196)
		(28,187)	(2,296)	**(27,325)**	(14,117)
Total comprehensive loss for period attributable to:					
Owners of the Company		**(26,855)**	(1,543)	**(25,769)**	(12,830)
Non-controlling interests		**(1,768)**	(591)	**(2,176)**	(1,208)
Total comprehensive loss for the period		**(28,623)**	(2,134)	**(27,945)**	(14,038)
		HK cents	HK cents	**HK cents**	HK cents
Basic and diluted loss per share	*10*	**(2.69)**	(0.28)	**(2.57)**	(1.79)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Notes	**30 June 2018** *HK$'000* **Unaudited**	31 December 2017 *HK$'000* Audited
Non-current assets			
Property, plant and equipment	*11*	**18,697**	19,283
Goodwill		**32,694**	32,694
Intangible assets		**3,675**	4,410
		55,066	56,387
Current assets			
Inventories		**5,426**	2,687
Trade and other receivables	*12*	**173,225**	149,247
Financial assets at fair value through profit or loss	*13*	**66,075**	51,030
Bank and cash balances		**48,114**	35,003
Tax receivable		**1,513**	1,173
		294,353	239,140
Current liabilities			
Trade and other payables	*14*	**30,063**	13,266
Loan from a former director	*15*	**40,002**	40,000
		70,065	53,266
Net current assets		**224,288**	185,874
Total assets less current liabilities		**279,354**	242,261

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) *(Continued)*

	Notes	**30 June 2018** *HK$'000* **Unaudited**	31 December 2017 *HK$'000* Audited
Non-current liabilities			
Deferred tax liabilities	*16*	**1,354**	915
		1,354	915
NET ASSETS		**278,000**	241,346
Capital and reserves			
Share capital	*17*	**10,106**	9,297
Reserves		**266,830**	232,969
Equity attributable to owners of the Company		**276,936**	242,266
Non-controlling interests		**1,064**	(920)
TOTAL EQUITY		**278,000**	241,346

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2018

	Attributable to owners of the Company									
	Share capital	Share premium	Share-based payment reserve	Merger reserve	Foreign currency translation reserve	Other reserve	Retained earnings	Total equity	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2018	9,297	230,122	10,707	15,800	414	(1,672)	(22,402)	242,266	(920)	241,346
Loss and total comprehensive loss for the period	–	–	–	–	(831)	–	(24,938)	(25,769)	(2,176)	(27,945)
Issue of new shares upon exercise of share options	809	38,831	–	–	–	–	–	39,640	–	39,640
Acquisition of 61% equity interest in a subsidiary through capital injection	–	–	–	–	–	–	–	–	4,160	4,160
Share option scheme:										
– value of employee services	–	–	18,923	–	–	–	–	18,923	–	18,923
– value of consultancy services	–	–	1,876	–	–	–	–	1,876	–	1,876
Balance at 30 June 2018 (unaudited)	**10,106**	**268,953**	**31,506**	**15,800**	**(417)**	**(1,672)**	**(47,340)**	**276,936**	**1,064**	**278,000**
Balance at 1 January 2017	7,600	117,272	11,287	15,800	17	–	(40,788)	111,188	(985)	110,203
Loss and total comprehensive loss for the period	–	–	–	–	91	–	(12,921)	(12,830)	(1,208)	(14,038)
Issue of new shares upon exercise of share options	490	30,683	–	–	–	–	–	31,173	–	31,173
Transfer to share premium upon exercise of share options		9,124	(9,124)			–		–		–
Lapse of share options			(248)			–	248	–		–
Share option scheme:										
– value of employee services	–	–	5,394	–	–	–	–	5,394	–	5,394
– value of consultancy services	–	–	670	–	–	–	–	670	–	670
Balance at 30 June 2017 (unaudited)	8,090	157,079	7,979	15,800	108	–	(53,461)	135,595	(2,193)	133,402

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Net cash outflow from operating activities	**(26,136)**	(19,240)
Net cash outflow from investing activities	**(3,789)**	(1,395)
Net cash inflow from financing activities	**43,802**	21,673
Net increase in cash and cash equivalents	**13,877**	1,038
Effect of foreign exchange rate changes	**(766)**	88
Cash and cash equivalents at 1 January	**35,003**	26,697
Cash and cash equivalents at 30 June	**48,114**	27,823
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**48,114**	27,823

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Glory Flame Holdings Limited 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 GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 15 August 2014.

The address of the Company's 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 is Suite 3513, 35th Floor, Tower 6, the Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (collectively referred as to the "Group") are engaged in (i) provision of construction services and building materials supply (the "Construction"), (ii) development and sales of agricultural equipment (the "Agricultural Equipment"), (iii) trading of LED products and clean coal (the "Trading Business"), and (iv) provision of financial services (the "Financial Services").

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared by the Directors in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the GEM Listing Rules. HKFRSs include Hong Kong Accounting Standards and interpretations. Intra-group balances and transactions, if any, have been fully and properly eliminated. The accounting policies and basis of preparation adopted in the preparation of the financial statements for the six months ended 30 June 2018 are consistent with those adopted in the annual financial statements of the Company for the year ended 31 December 2017. The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

The financial statements for the six months ended 30 June 2018 have not been audited by the Company's independent auditors, but have been reviewed by the Company's audit committee.

The financial statements for the six months ended 30 June 2018 are presented in Hong Kong dollars ("HK$"), which is the same functional currency of the Company.

3. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

4. REVENUE

Revenue recognised during the Reporting Period are as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Turnover		
Construction		
– Provision of concrete demolition and construction engineering services	**45,344**	33,167
– Manufacturing and trading of prefabricated precast construction components	**2,283**	–
– Manufacturing and trading of prestressed high strength concrete piles	**–**	444
Trading business		
– Trading of LED light sources for decoration	**–**	29,459
– Trading of clean coal	**21,410**	–
– Others *(note)*	**8,475**	–
Agricultural equipment		
Trading of ecological LED Cultivation Cabinet	**635**	622
Financial services		
Provision of insurance brokerage and consultancy services	**254**	-
	78,401	63,692

Note: Others represent other solid fuel and electrical appliances.

5. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the executive directors for the purposes of resources allocation and performance assessment. For the six months ended 30 June 2018, the Group has four reportable operating segments as follows:

Construction	Provision of concrete demolition, construction engineering services, pre-stressed concrete piles, construction works and prefabricated precast construction
Agricultural equipment	Trading of ecological LED cultivation cabinet system
Trading business	Trading of LED light sources for decoration, clean coal and others
Financial services	Provision of insurance brokerage and consultancy services, and factoring services

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 those described in the consolidated financial statements. 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, financial assets at fair value through profit or loss 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	**Agricultural equipment**	**Trading business**	**Financial services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2018					
Revenue from external customers	47,627	635	29,885	254	78,401
Inter-segment revenue	–	–	–	–	–
	47,627	635	29,885	254	78,401
Timing of revenue recognition					
At a point in time	–	635	29,885	254	30,774
Over time	47,627	–	–	–	47,627
	47,627	635	29,885	254	78,401
Segment profit/(loss)	708	(1,589)	(2,417)	(579)	(3,877)

5. SEGMENT INFORMATION *(Continued)*

	Construction	Agricultural equipment	Trading business	Financial services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2017					
Revenue from external customers	33,611	622	29,459	–	63,692
Inter-segment revenue	–	–	–	–	–
	33,611	622	29,459	–	63,692
Timing of revenue recognition					
At a point in time	–	622	29,459	–	30,081
Over time	33,611	–	–	–	33,611
	33,611	622	29,459	–	63,692
Segment profit/(loss)	10	(665)	4,797	–	4,142
Total segment assets					
30 June 2018	85,576	59,168	66,508	11,869	223,121
31 December 2017	77,725	52,106	64,931	2,048	196,810
Total segment liabilities					
30 June 2018	10,753	499	12,349	104	23,705
31 December 2017	7,898	157	2,578	109	10,742

Reconciliations of reportable segment profit or loss:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit or loss		
Total (loss)/profit of reportable segments	**(3,877)**	4,142
Corporate expenses, net	**(20,504)**	(8,593)
Write-off of property, plant and equipment	**(220)**	(3,432)
Gain on disposal of property, plant and equipment	**80**	–
Gain on financial assets at fair value through profit or loss	**19,182**	–
Share option expense	**(20,799)**	(6,064)
Consolidated loss before tax	**(26,138)**	(13,947)

6. FINANCIAL RISK MANAGEMENT

6.1 Financial risk

The Group's activities exposed it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk.

The interim condensed consolidation financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

There have been no changes in the risk management policies since year end.

6.2 Liquidity risk

There was no material change in the contractual undiscounted cash outflows for financial liabilities as compared to the year ended 31 December 2017.

6.3 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.3 Fair value estimation *(Continued)*

(a) Disclosures of level in fair value hierarchy at 30 June 2018:

	Fair value measurements using:			Total At 30 June 2018
	Level 1	**Level 2**	**Level 3**	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Financial assets at fair value through profit or loss	66,075	–	–	66,075
Total recurring fair value measurements	66,075	–	–	66,075

During the period ended 30 June 2018, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the Reporting Period in which they occur.

(b) Reconciliation of liabilities measured at fair value based on level 3:

	Contingent consideration	
	At 30 June 2018	At 31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
At the beginning of year	–	21,889
Total gains recognised in profit or loss	–	(21,889)
At the end of reporting period	–	–

The total gains recognised in profit or loss are presented in fair value changes on contingent liabilities in the consolidated statement of profit or loss and other comprehensive income.

7. OPERATING LOSS

An analysis of the amounts presented as operating items charged/(credited) in the financial information is given below:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Gain on sales of financial assets	**(13,787)**	–
Fair value change in financial asset at fair value through profit or loss	**(5,395)**	–
Gain on disposal of property, plant and equipment	**(80)**	–
Fair value loss on contingent liabilities	**–**	1,697
Share option expenses	**20,799**	6,064
Staff cost, including directors' remuneration	**17,557**	13,536
Depreciation of property, plant and equipment	**5,439**	4,000
Write-off of property, plant and equipment	**220**	3,432
Impairment loss on trade receivables	**4,159**	–
Reversal of impairment loss on trade receivables	**–**	(6,916)
Reversal of impairment loss on trade deposits	**–**	(3,536)

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax – Hong Kong profits tax:		
Provision for the period	**454**	170
	454	170
Current tax – PRC Enterprise Income Tax:		
Provision for the period	**294**	–
Deferred Tax *(Note 18)*	**439**	–
	1,187	170

8. INCOME TAX EXPENSE *(Continued)*

Hong Kong profits tax has been provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profit of the Group arising in or derived from Hong Kong for the period as stated above.

Provision for the Company's subsidiaries that are subject to Enterprise Income Tax in the Mainland China is calculated at 25% (2017: 25%).

9. INTERIM DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

10. LOSS PER SHARE

(a) Basic

The calculations of basic loss per share for the six months ended 30 June 2018 are based on the followings:

	Three months ended 30 June		**Six months ended 30 June**	
	2018 (unaudited)	2017 (unaudited)	**2018 (unaudited)**	2017 (unaudited)
Loss:				
Loss for the period attributable to the owners of the Company (HK$'000)	**(26,137)**	(2,296)	**(24,938)**	(14,117)
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	**970,379**	807,990	**970,379**	786,560

The calculation of the basic loss per share attributable to owners of the Company was based on (i) the loss for the period attributable to owners of the Company and (ii) the weighted average number of ordinary shares issued during the period as stated above.

10. LOSS PER SHARE *(Continued)*

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all the Company's outstanding share option. The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue during the period ended 30 June 2018 and 2017.

11. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Decoration *HK$'000*	Office equipment *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
Cost							
At 1 January 2017	40,459	1,661	9,687	7,956	607	–	60,370
Additions	3,972	52	475	7,354	817	–	12,670
Disposal	–	–	(267)	–	–	–	(267)
Written off	–	–	–	(3,885)	–	–	(3,885)
At 31 December 2017 and 1 January 2018	44,431	1,713	9,895	11,425	1,424	–	68,888
Additions	2,608	5	641	39	253	1,275	4,821
Disposal	–	–	(641)	–	–	–	(641)
Written off	(231)	–	–	–	–	–	(231)
At 30 June 2018	46,808	1,718	9,895	11,464	1,677	1,275	72,837
Accumulated depreciation							
At 1 January 2017	30,324	1,634	7,675	3,960	109	–	43,702
Charge for the period	4,784	9	917	672	236	–	6,618
Disposal	–	–	(267)	–	–	–	(267)
Write back on written-off	–	–	–	(453)	–	–	(453)
Exchange differences	–	–	–	2	3	–	5
At 31 December 2017 and 1 January 2018	35,108	1,643	8,325	4,181	348	–	49,605
Charge for the period	2,649	11	534	1,346	164	–	4,704
Disposal	–	–	(80)	–	–	–	(80)
Write back on written-off	(11)	–	–	–	–	–	(11)
Exchange differences	(1)	–	–	(71)	(6)	–	(78)
At 30 June 2018	37,745	1,654	8,779	5,456	506	–	54,140
Net book value							
At 30 June 2018	9,063	64	1,116	6,008	1,171	1,275	18,697
At 31 December 2017	9,323	70	1,570	7,244	1,076	–	19,283

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2018 *HK$'000* **(unaudited)**	At 31 December 2017 *HK$'000* (audited)
Trade receivables	**81,956**	79,560
Less: allowance for impairment of trade receivables	**(4,526)**	(428)
Trade receivables, net	**77,430**	79,132
Retention receivables	**4,209**	4,634
Less: allowance for impairment of retention receivables	**(54)**	(75)
Retention receivables, net	**4,155**	4,559
Prepayments and trade deposits	**71,503**	57,568
Other deposits and receivables	**20,137**	7,988
	173,225	149,247

Notes:

(a) Trade receivables are past due when a counterparty has failed to make a payment when contractually due. The average credit period granted to customers is 45 days generally. Trade receivables are denominated in HK$.

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

	At 30 June 2018 *HK$'000* **(unaudited)**	At 31 December 2017 *HK$'000* (audited)
0-30 days	**8,368**	23,720
31-60 days	**3,533**	16,572
61-90 days	**5,699**	2,907
91-365 days	**43,584**	32,890
Over 365 days	**16,246**	3,043
	77,430	79,132

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2018 *HK$'000* (unaudited)	At 31 December 2017 *HK$'000* (audited)
Equity securities, at fair value listed in Hong Kong	**66,075**	51,030

14. TRADE AND OTHER PAYABLES

	At 30 June 2018 *HK$'000* (unaudited)	At 31 December 2017 *HK$'000* (audited)
Trade payables	**8,020**	7,205
Accruals	**4,885**	1,082
Trade deposits received	**5,571**	–
Other payables	**11,587**	4,979
	30,063	13,266

Notes:

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

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

	At 30 June 2018 *HK$'000* (unaudited)	At 31 December 2017 *HK$'000* (audited)
0-30 days	**2,384**	4,674
31-60 days	**51**	85
61-90 days	**–**	–
Over 90	**5,585**	2,446
	8,020	7,205

15. LOAN FROM A FORMER DIRECTOR

Loan from a former director was an interest-bearing portion of HK$40,002,000 which was unsecured, interest bearing at 7.5% per annum and repayable on 25 November 2018.

16. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the period/year are as follows:

	Accelerated tax depreciation	
	At 30 June 2018	At 31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
At the beginning of year	**915**	838
Charged to profit or loss	**439**	77
At the end of Reporting Period/Year	**1,354**	915

17. SHARE CAPITAL

Ordinary shares of HK$0.01 each:

Authorised:	**Number of ordinary shares**	**Amount**
		HK$'000
Ordinary shares at 31 December 2017 and 30 June 2018	2,000,000,000	20,000

Issued and fully paid:	**Number of ordinary shares**	**Ordinary shares**
		HK$'000
Ordinary shares at 31 December 2017	929,707,000	9,297
Issue of new shares upon exercise of share options	80,898,000	809
Transfer to share premises upon exercise of share options	–	–
Ordinary shares at 30 June 2018	1,010,605,000	10,106

18. OPERATING LEASE COMMITMENT

The Group leases a number of properties under non-cancellable operating lease agreements. The lease terms are between 1 and 3 years.

The future aggregate minimum lease payments under non-cancellable operating leases are as follow:

	At 30 June 2018	At 31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
No later than one year	**4,114**	8,499
Later than one year and no later than five years	**13,777**	13,642
	17,891	22,141

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

Revenue for the Reporting Period increased by approximately HK$14.7 million or 23.1% from approximately HK$63.7 million for the period ended 30 June 2017 ("HY17") to approximately HK$78.4 million. The analysis of revenue was shown as follows:

Revenue by nature

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Construction		
– Provision of concrete demolition and construction engineering services	**45,344**	33,167
– Manufacturing and trading of prefabricated precast construction components	**2,283**	–
– Manufacturing and trading of prestressed high strength concrete piles	**–**	444
	47,627	33,611
Trading business		
– Trading of LED light sources for decoration	**–**	29,459
– Trading of clean coal	**21,410**	–
– Others *(note)*	**8,475**	–
	29,885	29,459
Agricultural Equipment		
– Trading of ecological LED Cultivation Cabinet	**635**	622
Financial Services		
– Provision of insurance brokerage and consultancy services	**254**	–
	78,401	63,692

Construction

For the Reporting Period, the revenue attributable to the Construction was approximately HK$47.6 million, representing an increase of approximately 41.7% as compared with approximately HK$33.6 million of HY17. The increase was primarily attributable to an increase of HK$12.2 million in revenue from the provision of concrete demolition and construction engineering services and an increase of HK$2.3 million in revenue from prefabricated precast construction, a business operated by Huizhou Precast Building Materials Co., Ltd, which became majority owned by the Group on 1 June 2018.

Trading Business

Revenue attributable to the Trading Business increased by HK$0.4 million from HK$29.5 million in HY17 to HK$29.9 million in the Reporting Period.

During the Reporting Period, revenue attributable to trading of clean coal was HK$21.4 million and the Group also accepted certain ad hoc orders for the trading of other solid fuel and electrical appliances that contributed revenue of HK$8.5 million to the Trading business of the Group.

During the Reporting Period, the Group made no sales of LED light sources for decoration. The Group's LED trading business has a small customer base and there is no firm commitment with any such customer for purchase orders every year, therefore, the sales generated from LED trading business fluctuated from period to period.

Trading of Agricultural Equipment

Revenue attributable to trading of Agricultural Equipment increased by approximately HK$13,000 from HK$622,000 in HY17 to HK$635,000 in the Reporting Period. The increase was mainly due to an increase in sales of the planting racks used by restaurants to farm fresh vegetables to supply for their customers.

Provision of financial services

Revenue attributable to the provision of financial services was approximately HK$0.3 million in the Reporting Period.

Gross Profit and Gross Profit Margin

Our Group's gross profit increased by HK$3.4 million from approximately HK$10.9 million for HY17 to approximately HK$14.3 million for the Reporting Period, representing an increase of approximately 31.2%. Such increase was mainly due to an increase of approximately HK$2.6 million in gross profit attributable to trading of clean coal and an increase of HK$2.0 million in the gross profit attributable to the provisions of construction services during the Reporting Period.

Our Group's gross profit margin increased from 17.1% in HY17 to 18.2% in the Reporting Period. The increase was mainly due to an improvement in the gross profit margin for the provision of concrete demolition services.

Administrative and Other Operating Expenses

Our Group's general and administrative expenses increased by HK$24.3 million to approximately HK$58.7 million from approximately HK$34.4 million for HY17. The increase was primarily due to (i) an increase of approximately HK$14.7 million in share option expenses, (ii) an increase of approximately HK$4.0 million in staff cost, resulting from the expansion of business in Construction related business and Trading business and (iii) an increase of approximately HK$4.2 million in provision for impairment loss on trade receivable during the Reporting Period.

Gain on financial assets at fair value through profit or loss

During the Reporting Period, the Group recorded a net gain of HK$19.2 million on financial assets at fair value through profit or loss, of which HK$13.8 million was a net realized gain on sales of listed securities and HK$5.4 million was net fair value gain on the listed securities.

Loss Attributable to Owners of the Company

The Group's loss attributable to the owners of the Company increased by approximately HK$12 million from approximately HK$12.9 million for HY17 to approximately HK$24.9 million for the Reporting Period. The increase was primarily due to a combined effect of (i) an improvement of gross profit by approximately HK$3.4 million for the Reporting Period as compared to HY17, (ii) a gain of approximately HK$19.2 million on financial assets at fair value through profit or loss for the Reporting Period, (iii) a gain of approximately HK$10.5 million in reversal of impairment loss on trade receivable and trade deposit for HY17, (iv) an increase of HK$25.2 million in administrative and other operating expenses, mainly resulting from share option expense, staff cost and provision for impairment loss on trade receivable for the Reporting Period as compared to HY17.

Liquidity, Financial Resources, and Capital Structure

As at 30 June 2018, the Group's current assets amounted to approximately HK$294.4 million, of which approximately HK$48.1 million was cash and bank balances, and approximately HK$173.2 million were trade and other receivables. Current liabilities was approximately HK$70.1 million, of which approximately HK$30.1 million were trade and other payables. The Group's net current assets were approximately HK$224.3 million as at 30 June 2018.

The gearing ratio of the Group as at 30 June 2018 (defined as total borrowings including interest bearing and non-interest bearing, divided by the Group's total equity) was approximately 0.14 as compared to approximately 0.3 as at 31 December 2017.

Treasury Policy

The Group adopted a prudent financial management approach towards its treasury policies and maintained a healthy liquidity position throughout the Reporting Period. The Group strove 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 monitored from time to time 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.

Foreign Currency Risk

The Group mainly operated in Hong Kong and most of the operating transactions, revenue, expenses, monetary assets and liabilities were denominated in HK$. As such, our Directors were of the view that the Group's risk in foreign exchange was insignificant and that the Group had sufficient resources to meet foreign exchange requirements. Therefore, the Group had not engaged in any derivative to hedge its exposure to foreign exchange risk.

Material Acquisitions and Disposal of Subsidiaries and Associated Companies

Capital Increase in Huizhou Precast

The Group intends to pursue the expansion of the prefabrication business. During the Reporting Period, the Group achieved this through contributing to the registered capital of an entity in the PRC. On 3 January 2018, China Construction Company Limited ("China Construction"), a company indirectly owned as to 84% by the Company, entered into a capital increase agreement with two independent third parties, pursuant to which China Construction conditionally agreed to contribute to the registered capital of Huizhou Precast, which is principally engaged in the businesses of production, research and development of prefabricated precast concrete components and glass fiber reinforced cement components, product installation guidance. Following the fulfilment and waiver of all of the conditions precedent set out in the capital increase agreement, the completion of the capital increase took place on 1 June 2018 whereupon China Construction came to own 61% of the equity interest in Huizhou Precast. For further details, please refer to the Company's announcements dated 3 and 5 January 2018 and 1 June 2018.

Disposal of Mansion Point

On 13 March 2018, the Company disposed of its entire shareholding in Mansion Point, being 51% of its entire issued share capital, to an independent third party at a cash consideration of HK$30,755,000 upon the terms of an agreement ("Disposal Agreement").

The Company had acquired the 51% shareholding in Mansion Point from the same independent third party as part of the acquisition of a target group under an agreement dated 9 September 2016. Due to the uncertainty as to when the relevant pollutant discharge would be obtained, which might affect the operation of the target group, and in order to protect the Group's interest, the Company entered into the Disposal Agreement with the same independent third party.

For further details, please refer to the Company's announcements dated 13 March 2018 and 13 July 2018.

Save as disclosed above, the Group had no material acquisition and disposal of subsidiaries and associated companies during the Reporting Period.

Debts and Charge on Assets

As at 30 June 2018, the total borrowings of the Group amounted to approximately HK$40.0 million (31 December 2017: approximately HK$40.5 million). Such decrease was mainly due to the repayment of loan from a director. The annual interest rates of the loan from a director ranges form 0% and 7.5% per annum. All of the borrowings was accounted for as current liabilities of the Group. All of the above borrowings were denominated in HK$.

Employee and Remuneration Policies

As at 30 June 2018, the Group had 131 employees. The total employee costs (including directors' emoluments) for the Reporting Period amounted to approximately HK$17.6 million (HY17: approximately HK$13.5 million).

The salary and benefits of the employees of the Group were competitive. This is very important as the construction industry had been experiencing labour shortage in general. Individual performance of our employees was awarded through the Group's salary and bonus system. In addition, the Group provided adequate job training to employees in order to equip them with practical knowledge and skills for tackling challenges encountered in diverse work sites.

Commitments and Contingent Liability

Save as disclosed in note 18 of the condensed consolidated financial statements, the Group did not have material capital commitments and contingent liabilities as at 30 June 2018.

Event after the Reporting Date

As at 30 June 2018, among its portfolio of listed investments the Group held 9,960,000 shares of Kin Shing Holdings Limited ("KSHL") with carrying value of approximately HK$56.1 million. On 7 August 2018, the Group made disposal of all of the 9,960,000 shares of KSHL ("Disposal") and the sales proceeds were approximately HK$2.7 million. As a result, the Group incurred a loss of approximately HK$53.7 million on disposal of financial asset at fair value through profit or loss in the second half year of 2018. Following the Disposal, the Group held no KSHL shares as at the date of this announcement.

BUSINESS REVIEW AND OUTLOOK

The principal activity of the Company is investment holding. For the period ended 30 June 2018 ("the Reporting Period" or "HY18"), the Group mainly engaged in (i) provision of construction services and building materials supply (the "Construction"), (ii) development and sales of agricultural equipment (the "Agricultural Equipment"), (iii) trading of LED products and clean coal (the "Trading Business"), and (iv) provision of financial services (the "Financial Services").

Construction

(a) Concrete demolition services and construction works

Concrete demolition is one of the areas of the construction industry in Hong Kong. The Group's concrete demolition services were mainly concerned with the removal of pieces or section of concrete from concrete structures by applying a variety of methods, such as core drilling, sawing, bursting and crushing. Concrete demolition services are usually 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.

The customers of the Group's concrete demolition services mainly include main contractors and subcontractors of different types of construction and civil engineering projects in Hong Kong. Such customers can generally be categorized into public sector projects' customers and private sector projects' customers. Public sector projects refer to projects of which the main contractors are employed by Government departments or statutory bodies in Hong Kong, while private sector projects refer to projects that are not public sector projects.

In addition to the provision of concrete demolition services, the Group provided services related to wet trades package and brickwork including tiles finishing, screeding, granolithic, plastering, blockworks for walls in Sung Wong Toi and To Kwa Wan Stations (Shatin to Central Link) under a construction sub-contract. Total value of the services under the sub-contract is approximately HK$71.0 million. Revenue of HK$13.9 million from this project was recognised during the Reporting Period.

(b) Prefabricated precast construction

On 1 June 2018, the Group came to own 61% of the equity interest in Huizhou Precast Building Materials Co. Ltd ("Huizhou Precast") through capital increase in the same, thereby enabling it to successfully enter into the business of prefabricated precast construction in the PRC. Huizhou Precast is principally engaged in the business of production, research and development of prefabricated precast concrete components and glass fiber reinforced cement components, product installation guidance. During the Reporting Period, Huizhou Precast contributed revenue of HK$2.3 million to the Group.

(c) Pre-stressed concrete piles

Pre-stressed concrete pile is a major type of foundation product used in the building and construction industry. It is typically used as part of foundation for building and infrastructure projects on unstable or soft layer of land which require 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.

During the Reporting Period, the Group did not commence the manufacturing of pre-stressed concrete piles as the relevant pollutant discharge permit had not been obtained.

Due to the uncertainty as to when the pollutant discharge permit would be obtained, which might affect the operation of the business of pre-stressed concrete piles, the Company entered into the Disposal Agreement to dispose of its shareholding in the relevant subsidiary.

Agricultural Equipment

The Group developed planting racks and a ecological LED cultivation cabinet system using a green technology and a tailored nutrient solution to grow hydroponic vegetables. In the PRC, the people who live in the cities are increasingly demanding pesticide-free, clean and fresh food. The partly automated farming at home may be a feature of healthy lifestyle in the future. The Group expects that the hydroponics market will grow at a relatively fast pace, that is an opportunity for the Group to get the foothold in the hydroponics market. The Group expects to launch the mini LED cultivation cabinet to the market in 2018.

During the Reporting Period, the Group primarily made sales of planting racks through the distributors which supplied of planting rack to the hot-pot restaurants where set up a site of planting and supplying the fresh vegetable for their restaurants.

Trading Business

(a) Light-emitting diode ("LED") light sources for decoration

LED light sources are considered to be a green technology. They are more energy efficient than most of the conventional light sources. There is a comparative advantage in terms of energy saving efficiency and product durability. In addition, LED does not contain hazardous material such as toxic mercury. The growth of LED lighting market is due to increasing the consciousness of environmental protection by adoption of energy efficient lighting solution. The use of LED lighting sources penetrates to the residential, commercial and industrial lighting applications.

During the Reporting Period, the Group made no sales of LED light sources for decoration. The Group's LED trading business has a small customer base and there is no firm commitment with any such customer for purchase orders every year, therefore, the sales generated from LED trading business fluctuated from period to period.

(b) Clean coal

The Group is engaged in the trading of Inner Mongolia coal energy in the PRC. Its coal resource is from the clean coal in Ordos City, the PRC. The clean coal technology collectively represents the new technologies of process, burning, transforming and pollution control, etc. in the whole process from development to utilization of coal that aim to reduce pollution and emission and enhance the utilization efficiency.

The development of clean coal is an established national policy of the PRC. The coal resource in the PRC is relatively rich and the PRC is one of the few countries in the world that uses coal as the main energy source. The clean coal industry will continue to play an important role in the energy sustainability of the PRC and will be an important direction of development in the coming 20 years. Such development will be significant for the PRC to ease the environment pollution led by burning coal and reduce the reliance on imported oil. The clean coal industry can be viewed as facing new market demand and development opportunities in the PRC.

The growth of trading of clean coal of the Group is stable and the Company expects that it will be one of key revenue contributions for the Group in the future. As a result of the strong demand in the clean coal, the Group is considering to increase the investment in its working capital so as to expand its volume of trading and further increase in the rate of return for the Group's trading business.

Having gained experience in the trading of clean energy resources, and given the PRC Government's Belt and Road Initiative linking ASEAN countries including Cambodia, Vietnam and Indonesia and other countries in Asia including Bangladesh, Pakistan and India, the Company believes that there will be potential in the trading of clean energy resources between these countries and the PRC. The Company is in preliminary discussions with a potential business partner experienced in energy trading in South East Asia to explore different ways of cooperation such as forming joint venture entities for capturing opportunities in this market.

Financial Services

The Group's financial services business includes provision of insurance brokerage and consultancy services in Hong Kong and provision of commercial factoring services in the PRC.

Memorandum of Understanding for Strategic Cooperation

On 23 April 2018, the Company and LETS China Co., Limited ("LETS China") entered into a memorandum of understanding for a strategic cooperation on development of prefabricated construction proposals. The Company, as the exclusive cooperative partner, will provide LETS China with the scientific and professional prefabrication construction comprehensive solution proposals, which include the site selection, project design, procurement, installment, construction and other services and will assist LETS China in its negotiations with the government in relation to preferential policies on prefabrication construction. The strategic cooperation shall be valid for one year.

Potential Expansion to Construction and Real Estate Businesses in Cambodia

From the preliminary results of a study of the business environment in Cambodia, the Company notes a number of factors favourable to doing business in Cambodia, some of which are set out below.

- Cambodia is a member of the Association of South East Asian Nations ("ASEAN") and occupies a key geographical location among the ASEAN members in Asia.

- As of 2016, Cambodia had a population of approximately 15 million of which over 50% was below the age of 22. Such a young population means labour force is in plenty supply.

- Urbanisation, which is occurring at a rapid rate, is expected to increase to 44% by 2030 from 27% in 2014. Rapid urbanisation usually means increase in demand for dwellings in the urban areas.

- The Cambodian government has recently announced a 10-year industrial development plan, which to a large extent aligns with the Belt and Road Initiative of the PRC Government, making Cambodia a favourite investment destination for investors from China. Apart from investors from China, Cambodia is also a favourite investment destination for investors from the region, such as Japan, Korea, Singapore and Thailand. As a result, real estate prices and rentals have grown significantly in the past few years.

The above and other favourable factors mean that Cambodia has registered high economic growth in the past 15 years, averaging some 7% per annum.

The Company is keen to explore business opportunities in Cambodia. Having considered the favourable factors set out above and the Group's experience in the construction area, namely, provision of concrete demolition services and construction works, and production and research and development of prefabricated precast concrete components and glass fibrereinforced cement components, the Company has carried out preliminary discussions with a few potential business partners in the construction and real estate businesses in Cambodia. The Company considers that the construction and real estate businesses in Cambodia are prospective and is keen to explore these areas further. The Company is seeking preliminary advice on Cambodia laws and business practice on what steps should be taken so that it will be in a better position to capture business opportunities in Cambodia in a timely manner.

Placing of New Shares under General Mandate

On 14 May 2018, the Company entered into a placing agreement with a placing agent whereby the Company agreed to place, through the placing agent, on a best effort basis, up to 80,898,000 new shares of the Company to not less than six places at a price of HK$0.50 per placing share.

On 30 May 2018, an aggregate of 80,898,000 placing shares, pursuant to the terms and conditions of the placing agreement dated 14 May 2018, was successfully placed to not less than six places, which are independent of and not connected with the Company within the meaning of the GEM Listing Rules, at a placing price of HK$0.50 per placing share.

The approximate gross and net proceeds from the placing amounted to HK$40.5 million and HK$39.5 million respectively. During the period ended 30 June 2018, the net proceeds were utilised in accordance with the intended use at the time of the placing, that is, (i) approximately HK$9.2 million (equivalent to approximately RMB7.3 million) for capital injection into Huizhou Precast Building Materials Co. Ltd; (ii) approximately HK$12.8 million for business development in trading business; and (iii) approximately HK$17.5 million as general working capital.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DISCLOSURE OF INTERESTS

A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporation

As at 30 June 2018, interests or short positions of the Directors, chief executives of the Company in the shares (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long Position in the Shares and underlying Shares

Name of Directors	Capacity/Nature	Number of Shares held/ interested in	Number of underlying shares held/ interest in	Total interest	Approximately percentage of shareholding
Ms. Che Xiaoyan	Beneficial owner	162,789,800	10,106,050	172,895,850	17.11%
Mr. Li Shunmin	Beneficial owner	12,629,800	10,106,050	22,735,850	2.25%
Ms. Jiao Fei	Beneficial owner	15,269,800	10,106,050	25,375,850	2.51%
Mr. Guan Jincheng	Beneficial owner	–	18,195,850	18,195,850	1.80%
Mr. Man Wai Lun	Beneficial owner	–	18,195,850	18,195,850	1.80%

(ii) As at 30 June 2018, none of the Directors or chief executive nor their associates had any short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations.

B. **Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares**

Save as disclosed below, as at 30 June 2018 and so far as is known to the Directors, no person other than certain Directors or chief executive of the Company had any interests or short positions in the Shares and underlying shares of the Company which were required to be recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/interested in	Long/short position	Approximate percentage of shareholdings
Du Hao	Beneficial owner	110,885,000	Long	10.97%
Innduu International Group Limited *(note)*	Beneficial owner	186,420,000	Long	18.45%

Note: Innduu International Group Limited is wholly owned by Mr. Xiong Lei.

COMPETING INTERESTS

Having made specific enquiry of all Directors and the controlling shareholders of the Company, all of them had confirmed that neither themselves nor their respective close associates (as defined in the GEM Listing Rules) 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.

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

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

CORPORATE GOVERNANCE CODE

The Corporate Governance Code ("the Code") in Appendix 15 to the GEM Listing Rules sets out the principles of good corporate governance, code provisions and recommended best practices. Issuers are expected to comply with the code provisions or devise their own code on corporate governance on the terms they consider appropriate provided that considered reasons are given. Throughout the Reporting Period, the Company had complied with the applicable code provisions of the Code with the exception of the deviation from code provision A.2.1 as explained below:

Code provision A.2.1 of the Code requires that the roles of Chairman and chief executive officer ("CEO") should be separate and not performed by the same individual. During the Reporting Period, Ms. Che Xiaoyan ("Ms. Che") was both Chairman and CEO of the Group. The Board was of the opinion that vesting the roles of both Chairman and CEO in Ms. Che had the benefit of ensuring consistent leadership within the Group thus enabling more effective and efficient strategic planning for the Group. The Board also believed that the balance of power and authority was not compromised and was adequately ensured by the composition of the existing Board. Except for the deviation from code provision A.2.1 of the Code, the Company's corporate governance practices complied with the Code as set out in Appendix 15 to the GEM Listing Rules during the Report Period.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group had 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 (the "Code of Conduct"). Having made specific enquiries with the Directors, all Directors have confirmed that they complied with the required standards set out in the Code of Conduct during the Reporting Period.

DIVIDEND

The Board does not recommend payment of interim dividend to shareholders of the Company for the Reporting Period (six months ended 30 June 2017: nil).

SHARE OPTION SCHEME

The Company conditionally adopted the Share Option Scheme on 2 August 2014. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

a) Share options granted to employees and directors of the Group

On 19 June 2018, 101,060,050 share options to subscribe for up to a total of 101,060,500 ordinary shares of HK$0.01 each of the Company were granted to certain Directors, employees and other eligible persons under the Share Option Scheme. The exercise price was HK$0.628 per share, which was equal to the average closing price as stated in the daily quotations sheets of the Stock Exchange for five business days immediately preceding the date of grant. The share options may be exercised within the period from 20 June 2018 to 19 June 2020 (both days inclusive).

As at 30 June 2018, the number of outstanding share options under the Scheme is 148,329,500, representing 14.68% of the total issued Shares. During the Reporting Period, the total number of share options granted was 101,060,500, whereas no options lapsed. During the Reporting Period, no share options were cancelled. There are no more share option available for issue as at the date of this announcement.

Particulars of the Directors' interests in share options to subscribe for Shares pursuant to the Share Option Scheme were as follows:

Name of Director	Date of grant	Number of outstanding share options as at 1 January 2018/ the date of appointment	Number of share options granted during the Reporting Period	Number of share options exercised during the Reporting Period	Number of outstanding share options as at 30 June 2018	Exercise period	Exercise price per share
Executive Directors							
Ms. Che Xiaoyan	19 June 2018	–	10,106,050	–	10,106,050	20 June 2018 to 19 June 2020	HK$0.628
Ms. Jiao Fei	19 June 2018	–	10,106,050	–	10,106,050	20 June 2018 to 19 June 2020	HK$0.628
Mr. Li Shunmin	19 June 2018	–	10,106,050	–	10,106,050	20 June 2018 to 19 June 2020	HK$0.628
Mr. Guan Jincheng	15 June 2017	8,089,800	–	–	8,089,800	15 June 2017 to 14 June 2027	HK$0.626
	19 June 2018	–	10,106,050	–	10,106,050	20 June 2018 to 19 June 2020	HK$0.628
Mr. Man Wai Lun	15 June 2017	8,089,800	–	–	8,089,800	15 June 2017 to 14 June 2027	HK$0.626
	19 June 2018	–	10,106,050	–	10,106,050	20 June 2018 to 19 June 2020	HK$0.628
		16,179,600	50,530,250	–	66,709,850		

b) Share options granted to a consultant

The Group engaged a consultant to assist in research and exploration of property construction related business opportunities in the People's Republic of China and Cambodia.

On 19 June 2018, the Company granted 10,106,050 share options of the Company under the Share Option Scheme to the consultant as service fee.

During the Reporting Period, no share options granted to the consultant lapsed.

Details of the share options granted to the consultant under the Share Option Scheme are as follows:

Date of grant	Exercise period	Exercise price per share *(HK$)*	Number of outstanding share options as at 1 January 2018	Number of share options granted during the Reporting Period	Number of share options exercised during the Reporting Period	Number of outstanding share options as at 30 June 2018	Vesting conditions
19 June 2018	20 June 2018 to 19 June 2020	0.628	–	10,106,050	–	10,106,050	Vested on 20 June 2018
15 June 2017	15 June 2017 to 14 June 2027	0.626	8,000,000	–	–	8,000,000	Vested on the date of grant
			8,000,000	10,106,000	–	18,106,050	

c) **Fair values of share options and assumptions**

During the Reporting Period, the total share option expense of HK$20.8 million was recognized in the income statement in relation to share options granted by the Company. Details of share-based payment by nature are as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Share option expenses for employees and Directors	**18,923**	5,394
Share option expenses for consultancy services	**1,876**	670
	20,799	6,064

The fair value of the share options granted was calculated using the binomial option pricing model (the "Model"). The inputs into the Model were as follows:

	Employees and directors			**Consultant**	
Date of grant	**14 June 2016**	**15 June 2017**	**19 June 2018**	**15 June 2017**	**19 June 2018**
Number of share options granted	19,220,000	72,898,000	90,954,450	8,000,000	10,106,050
Underlying stock price	HK$0.80	HK$0.620	HK$0.620	HK$0.620	HK$0.620
Strike price	HK$0.83	HK$0.626	HK$0.628	HK$0.626	HK$0.628
Expected volatility	52.21%	52.14%	72.94%	52.14%	72.94%
Exercise multiple	1.60-2.47	1.07-1.13	2.47	1.13	1.6
Risk-free rate	1.082%	1.326%	1.98%	1.326%	1.98%
Annualised dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%

The Model was used to estimate the fair values of the options. The variables and assumptions used in computing the fair values of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair values of the options.

INFORMATION ON CHANGES OF DIRECTORS

Information on the changes of directors of the Company subsequent to the year ended 31 December 2017 are set out below:

Name of director	Details of the change
Mr. Chung Yuk Lun ("Mr. Chung")	On 24 January 2018, Mr. Chung was appointed as an independent non-executive Director.
	On 2 August 2018, Mr. Chung was re-designated from independent non-executive Director to executive Director.

AUDIT COMMITTEE

The Company established an audit committee on 2 August 2014 (the "Audit Committee") 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, Mr. Li An Sheng and Mr. Bai Honghai. Mr. Chan Kam Wah currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed this announcement and the unaudited consolidated financial statements of the Group for the Reporting Period.

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

Hong Kong, 10 August 2018

As at the date of this announcement, the executive Directors are Ms. Che Xiaoyan, Mr. Man Wai Lun, Ms. Jiao Fei, Mr. Li Shunmin, Mr. Guan Jincheng and Mr. Chung Yuk Lun; the non-executive Director is Mr. Lin Hongtong; and the independent non-executive Directors are Mr. Chan Kam Wah, Mr. Bai Honghai, Mr. Li An Sheng and Mr. Chen Yongquan.