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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2018

CHARACTERISTICS OF 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 2018, the operating results of the Group were as follows:

- Revenue amounted to approximately HK$133.6 million (2017: approximately HK$183.3 million), representing a decrease of approximately 27.1% from last year;
- Net loss for the year ended 31 December 2018 amounted to approximately HK$199.6 million (2017: net profit of approximately HK$15.8 million);
- Basic and diluted loss per share for the year ended 31 December 2018 based on weighted average number of ordinary shares was approximately HK19.93 cents (2017: Basic and diluted earnings per share of approximately HK2.18 cents);
- The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 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	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**133,631**	183,283
Cost of sales		**(105,088)**	(154,632)
Gross profit		**28,543**	28,651
Other income and other gains or losses	*5*	**602**	28,661
(Loss)/gain on investments at fair value through profit or loss		**(35,651)**	51,372
Share-based payments		**(20,798)**	(19,080)
Fair value gain on contingent consideration		–	21,889
Impairment losses on various assets		**(104,302)**	(21,994)
Administrative and other operating expenses		**(64,811)**	(70,645)
Operating (loss)/profit		**(196,417)**	18,854
Finance costs		**(3,000)**	(2,006)
(Loss)/profit before income tax		**(199,417)**	16,848
Income tax	*7*	**(164)**	(1,016)
(Loss)/profit for the year	*8*	**(199,581)**	15,832
Other comprehensive (loss)/income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(3,220)**	361
Total other comprehensive (loss)/income for the year		**(3,220)**	361
Total comprehensive (loss)/income for the year		**(202,801)**	16,193

	Notes	For the year ended 31 December **2018** ***HK$'000***	2017 *HK$'000*
(Loss)/profit for the year attributable to:			
Owners of the Company		**(194,804)**	18,138
Non-controlling interests		**(4,777)**	(2,306)
		(199,581)	15,832
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(198,507)**	18,535
Non-controlling interests		**(4,294)**	(2,342)
		(202,801)	16,193
(Loss)/earnings per share	*10*		
Basic (HK cents per share)		**(19.93)**	2.18
Diluted (HK cents per share)		**(19.93)**	2.18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**16,529**	19,283
Goodwill		**2,877**	32,694
Intangible assets		–	4,410
		19,406	56,387
Current assets			
Inventories		**6,048**	2,687
Trade and other receivables	*11*	**65,727**	149,247
Investments at fair value through profit or loss		–	51,030
Bank and cash balances	*12*	**39,169**	35,003
Tax receivable		–	1,173
		110,944	239,140
Disposal group classified as held for sale		**31,128**	–
		142,072	239,140
Current liabilities			
Trade and other payables	*13*	**17,064**	13,266
Other loan		**40,000**	40,000
Tax payable		**232**	–
		57,296	53,266
Liabilities directly associated with disposal group classified as held for sale		**13**	–
		57,309	53,266
Net current assets		**84,763**	185,874
Total assets less current liabilities		**104,169**	242,261

	Notes	At 31 December 2018 HK$'000	2017 HK$'000
Non-current liabilities			
Deferred tax liabilities		**33**	915
		33	915
NET ASSETS		**104,136**	241,346
Capital and reserves			
Share capital	*14*	**10,106**	9,297
Reserves		**94,091**	232,969
Equity attributable to owners of the Company		**104,197**	242,266
Non-controlling interests		**(61)**	(920)
TOTAL EQUITY		**104,136**	241,346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 is Suite 3513, 35th Floor, Tower 6, the Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on 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 (i) provision of construction service and building materials supply, (ii) development and sales of agricultural equipment, (iii) trading of clean coal and others, and (iv) provision of financial services.

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 2018. 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	Provision of concrete demolition and construction engineering services, prestressed high strength 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, mixed coal and others
Financial services	Provision of insurance brokerage and consultancy 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 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, investments at fair value through profit or loss, disposal group classified as held for sale and other unallocated corporate assets. Segment liabilities do not include other loan, liabilities directly associated with disposal group classified as held for sale, deferred tax liabilities and other unallocated corporate liabilities.

Upon the termination of provision of prestressed high strength concrete piles business in the PRC, no revenue had been generated during the year of 2018 and was disposed of during the year ended 31 December 2018. And it was reclassified to disposal group classified as held for sale from segment assets and 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*
Year ended 31 December 2018:					
Revenue from external customers	**88,313**	**878**	**43,887**	**553**	**133,631**
Segment loss	**(5,987)**	**(56,955)**	**(51,012)**	**(1,207)**	**(115,161)**
Depreciation of property, plant and equipment	**3,457**	**4,093**	**–**	**–**	**7,550**
Amortisation of intangible assets	**–**	**1,470**	**–**	**–**	**1,470**
Impairment loss on trade receivables, net	**1,002**	**–**	**45,670**	**–**	**46,672**
Impairment loss on prepayments and trade deposits	**9,850**	**40,718**	**–**	**–**	**50,568**
Impairment loss on property, plant and equipment	**–**	**4,122**	**–**	**–**	**4,122**
Impairment loss on intangible assets	**–**	**2,940**	**–**	**–**	**2,940**
Additions to segment non-current assets	**3,183**	**777**	**4,495**	**–**	**8,455**
At 31 December 2018:					
Segment assets	**48,741**	**3,099**	**15,556**	**10,989**	**78,385**
Segment liabilities	**7,223**	**112**	**4,572**	**209**	**12,116**
Year ended 31 December 2017:					
Revenue from external customers	80,416	9,110	93,519	238	183,283
Segment profit/(loss)	2,565	(19,757)	22,462	(200)	5,070
Depreciation of property, plant and equipment	4,862	47	1,419	–	6,328
Amortisation of intangible assets	–	1,470	–	–	1,470
Impairment loss on trade receivables, net	84	–	–	–	84
Fair value gain on contingent consideration	(21,889)	–	–	–	(21,889)
Impairment loss on goodwill	21,910	–	–	–	21,910
Additions to segment non-current assets	1,277	2,962	85	–	4,324
At 31 December 2017:					
Segment assets	77,725	52,106	64,931	2,048	196,810
Segment liabilities	7,898	157	2,578	109	10,742

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

	2018	2017
	HK$'000	*HK$'000*
Profit or loss:		
Total profit or loss of reportable segments	**(115,161)**	5,070
Share-based payments	**(20,798)**	(19,080)
(Loss)/gain on investments at fair value through profit or loss	**(35,651)**	51,372
Corporate and unallocated profit or loss	**(27,807)**	(20,514)
Consolidated profit or loss before tax	**(199,417)**	16,848
Assets:		
Total assets of reportable segments	**78,385**	196,810
Bank and cash balances	**39,169**	35,003
Investments at fair value through profit or loss	**–**	51,030
Disposal group classified as held for sale	**31,128**	–
Corporate and unallocated assets	**12,796**	12,684
Consolidated total assets	**161,478**	295,527
Liabilities		
Total liabilities of reportable segments	**12,116**	10,742
Other loan	**40,000**	40,000
Liabilities directly associated with disposal group classified as held for sale	**13**	–
Deferred tax liabilities	**33**	915
Corporate and unallocated liabilities	**5,180**	2,524
Consolidated total liabilities	**57,342**	54,181

Geographical information:

	2018	2017
	HK$'000	*HK$'000*
Revenue:		
Hong Kong	**84,285**	148,871
The People's Republic of China	**49,346**	25,747
The United States	**–**	8,665
	133,631	183,283

In presenting the geographical information, revenue is based on the locations of the customers.

	2018	2017
	HK$'000	*HK$'000*
Non-current assets		
Hong Kong	**8,474**	15,138
The People's Republic of China (the "**PRC**")	**10,932**	41,249
	19,406	56,387

Information about revenue from the Group's customer individually contributing over 10% of total revenue of the Group is as follows:

	2018	2017
	HK$'000	*HK$'000*
Trading business segment		
Customer A#	**20,857**	8,665
Customer B*	**4,802**	39,542
Customer C*	**4,463**	37,255

Customer A did not contribute over 10% of the Group's revenue for the year ended 31 December 2017, the figure shown was for comparative purpose only.

* Customer B and Customer C did not contribute over 10% of the Group's revenue for the year ended 31 December 2018, the figure shown was for comparative purpose only.

4. REVENUE

The Group's revenue is analysed as follows:

	2018 HK$'000	2017 HK$'000
Provision of concrete demolition and construction engineering services	**83,803**	71,835
Trading of LED light sources for decoration	**–**	85,462
Manufacturing and trading of prestressed high strength concrete piles and provision of prefabricated precast construction	**4,510**	8,581
Trading of LED Cultivation Cabinet	**878**	9,110
Trading of clean coal, mixed coal and others	**43,887**	8,057
Provision of insurance brokerage and consultancy services	**553**	238
	133,631	183,283

5. OTHER INCOME AND OTHER GAINS OR LOSSES

	2018 HK$'000	2017 HK$'000
Bank interest income	**7**	2
Dividend income	**322**	–
Reversal of impairment losses on trade and other receivables	**93**	28,034
Exchange gain/(loss)	**70**	(154)
(Loss)/gain on disposals of property, plant and equipment	**(193)**	30
Others	**303**	749
	602	28,661

6. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2018

On 1 June 2018, the Group and the independent third party entered into the Capital Increase Agreement to acquire 61% of the registered capital of Huizhou Precast Building Materials Co., Limited (the "**Huizhou Precast**") for a cash consideration of HK$9,000,000.

The principal activities of Huizhou Precast are engaged in the business of production, research and development of prefabricated precast concrete components and glass fiber reinforced cement components, product installation guidance.

The fair value of the identifiable assets and liabilities of Huizhou Precast acquired as at its date of acquisition is as follows:

	HK$'000
Property, plant and equipment	3,672
Trade and other receivables	10,474
Inventories	2,959
Bank and cash balances	590
Tax receivable	253
Trade and other payables	(4,733)
Total identifiable net assets at fair value	13,215
Non-controlling interests	(5,153)
Goodwill	938
Consideration transferred	9,000
Satisfied by:	
Cash	9,000

Analysis of net outflow of cash and cash equivalents in respect of acquisition of Huizhou Precast:

	HK$'000
Total cash consideration	9,000
Cash and cash equivalents acquired	(590)
	8,410

Huizhou Precast contributed revenue of approximately HK$4,510,000 to the Group's revenue and profit of approximately HK$80,000 to the Group's results for the year between the date of acquisition and the end of the reporting year.

If the acquisition had been completed on 1 January 2018, total Group's revenue for the year would be approximately HK$140,553,000, and loss for the year would have been approximately HK$200,461,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is intended to be a projection of future results.

For the year ended 31 December 2017

On 6 November 2017, the Group acquired 60% of the issued share capital of Hong Kong Yuanfeng Insurance Brokers Limited (the "**Yuanfeng**") for a cash consideration of HK$2,040,000.

The principal activities of Yuanfeng are provision of consultancy and insurance brokerage service.

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

	HK$'000
Bank and cash balances	160
Deposits and prepayment	83
Other payables	(74)
Total identifiable net assets at fair value	169
Non-controlling interests	(68)
Goodwill	1,939
Consideration transferred	2,040
Satisfied by:	
Cash	2,040

Analysis of net outflow of cash and cash equivalents in respect of acquisition of Yuanfeng:

	HK$'000
Total cash consideration	2,040
Cash and cash equivalents acquired	(160)
	1,880

Yuanfeng contributed revenue of approximately HK$237,000 to the Group's revenue and loss of approximately HK$200,000 to the Group's results for the year between the date of acquisition and the end of the reporting year.

If the acquisition had been completed on 1 January 2017, total Group's revenue for the year would be approximately HK$184,659,000, and profit for the year would have been approximately HK$15,016,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is intended to be a projection of future results.

7. INCOME TAX

	2018 *HK$'000*	2017 *HK$'000*
Current tax – Hong Kong profits tax:		
Provision for the year	**1,049**	941
Over-provision in prior years	**(27)**	(19)
	1,022	922
Current tax – PRC Enterprise Income Tax:		
Provision for the year	**24**	17
Deferred tax	**(882)**	77
Income tax expense	**164**	1,016

Hong Kong Profits Tax is provided at 16.5% (2017: 16.5%) based on the assessable profit for the year.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

8. (LOSS)/PROFIT FOR THE YEAR

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

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold/services provided	**105,088**	154,632
Depreciation of property, plant and equipment	**8,652**	6,618
Amortisation of intangible assets	**1,470**	1,470
Loss/(gain) on disposals of property, plant and equipment	**193**	(30)
Written off of property, plant and equipment	**835**	3,432
Impairment losses on various assets		
Trade receivables	**46,672**	84
Prepayments and trade deposits	**50,568**	–
Property, plant and equipment	**4,122**	–
Intangible assets	**2,940**	–
Goodwill	**–**	21,910
	104,302	21,994
Fair value gain on contingent consideration	**–**	(21,889)
Staff costs (including directors' remuneration)		
Salaries, bonus and allowances	**34,302**	30,497
Share-based payments	**18,921**	17,520
Retirement benefits scheme contributions	**610**	613
	53,833	48,630
Share-based payments to consultant	**1,877**	1,560
Operating lease rentals in respect of office premises	**8,780**	6,886
Auditor's remuneration	**880**	830

9. DIVIDEND

The Directors do not recommend the payment of an final dividend for the year ended 31 December 2018 (2017: nil).

10. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic loss/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$194,804,000 (2017: profit for the year attributable to owners of the Company of approximately HK$18,138,000) and the weighted average number of ordinary shares of 977,581,000 (2017: 831,008,000) 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 2018 and 2017.

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**78,776**	79,560
Less: allowance for impairment of trade receivables	**(47,022)**	(428)
Trade receivables, net	**31,754**	79,132
Retention receivables	**3,398**	4,634
Less: allowance for impairment of retention receivables	**(54)**	(75)
Retention receivables, net	**3,344**	4,559
Prepayments and trade deposits	**60,063**	57,568
Less: allowance for impairment of prepayments and trade deposits *(note)*	**(50,568)**	–
	9,495	57,568
Other deposits and receivables	**21,134**	7,988
	65,727	149,247

Note:

The amount mainly represents the impairment loss on prepayment to suppliers in trading of Ecological LED Cultivation Cabinet System business segment amounted to approximately HK$40,719,000. During the year ended 31 December 2018, due to the unfavourable performance of this business segment, the management was unable to well utilize the prepayment for production of Ecological LED Cultivation Cabinet System. The management is in progress on negotiating with the supplier in order to agree the refund arrangement, yet up to the end of reporting period, no formal agreement have been signed between the Group and the supplier. As advised by the Group's legal adviser, the group may not be able to collect the refund by supplier, hence, impairment losses of approximately HK$40,719,000 have been recognised during the year ended 31 December 2018.

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:

	2018	2017
	HK$'000	*HK$'000*
0 ~ 30 days	**8,054**	23,720
31 ~ 60 days	**4,650**	16,572
61 ~ 90 days	**2,384**	2,907
91 ~ 365 days	**10,855**	32,890
Over 365 days	**5,811**	3,043
	31,754	79,132

Reconciliation of loss allowance for trade receivables:

	2018	2017
	HK$'000	*HK$'000*
At the beginning of the year	**428**	23,287
Increase in loss allowance for the year	**46,672**	84
Reversal of loss allowance for the year	**(93)**	(22,876)
Exchange difference	**15**	(67)
At the end of the year	**47,022**	428

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Over 30 days past due	Over 60 days past due	Over 90 days past due	Over 365 days past due	Total
At 31 December 2018						
Weighted average expected loss rate	**3%**	**3%**	**4%**	**3%**	**89%**	**60%**
Receivable amount *(HK$'000)*	**12,539**	**2,250**	**1,765**	**10,262**	**51,960**	**78,776**
Loss allowance *(HK$'000)*	**373**	**67**	**77**	**311**	**46,194**	**47,022**
At 31 December 2017						
Weighted average expected loss rate	–	–	–	–	13%	1%
Receivable amount *(HK$'000)*	40,291	10,366	17,136	8,347	3,420	79,560
Loss allowance *(HK$'000)*	–	–	–	–	428	428

12. BANK AND CASH BALANCES

As at 31 December 2018, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$3,074,000 (2017: HK$1,127,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

At the end of the reporting period, bank and cash balances comprise cash held by the Group and short-term bank deposits with an original maturity period of three months or less. Bank balance carried interest at market rates ranging from 0.001% to 0.35% per annum (2017: 0.001% to 0.35%).

13. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**6,245**	7,205
Accruals	**4,773**	1,082
Other payables	**6,046**	4,979
	17,064	13,266

Note:

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

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

	2018	2017
	HK$'000	*HK$'000*
0 ~ 30 days	**3,738**	4,674
31 ~ 60 days	**79**	85
Over 90 days	**2,428**	2,446
	6,245	7,205

14. SHARE CAPITAL

	Note	**Number of ordinary shares**	**Ordinary shares**
			HK$'000
Authorised:			
Ordinary shares of HK$0.01 each:			
As at 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018		2,000,000,000	20,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each:			
As at 1 January 2017		760,000,000	7,600
Issue of shares on placement	*(a)*	80,898,000	809
Issue of shares upon exercise of share options	*(b)*	88,809,000	888
As at 31 December 2017 and 1 January 2018		929,707,000	9,297
Issue of shares on placement	*(c)*	80,898,000	809
As at 31 December 2018		1,010,605,000	10,106

Notes:

(a) Completion of the share placement took place on 25 October 2017 pursuant to which 80,898,000 placement shares were issued under the placement agreement at the placement price of HK$0.5 per placing share at an aggregate consideration of approximately HK$40,449,000, of which approximately HK$809,000 was credited to share capital and the remaining balance of approximately HK$38,221,000 (net of issuing expenses of approximately HK$1,419,000) was credited to share premium. Details of the placement were set out in the Company's announcements dated 5 September 2017, 7 September 2017 and 27 September 2017.

(b) During the year ended 31 December 2017, the subscription rights attaching to 12,400,000, 26,200,000, 10,380,000 and 39,829,000, respectively, share options were exercised at the subscription price of HK$0.83, HK$0.48, HK$0.8 and HK$0.626, respectively per share, resulting in the issue of 88,809,000 additional ordinary shares of HK$0.01 each for a total cash consideration, before expenses, of approximately HK$56,105,000. Also, approximately HK$19,412,000 was transferred from share option reserve to share premium. In result, HK$888,000 was credited to share capital and HK$74,629,000 were credited to share premium respectively.

(c) Completion of the share placement took place on 30 May 2018 pursuant to which 80,898,000 placement shares were issued under the placement agreement at the placement price of HK$0.5 per placing share at an aggregate consideration of approximately HK$40,449,000, of which approximately HK$809,000 was credited to share capital and the remaining balance of approximately HK$38,831,000 (net of issuing expenses of approximately HK$809,000) was credited to share premium. Details of the placement were set out in the Company's announcements dated 30 May 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal activity of the Company is investment holding. For the year ended 31 December 2018 (the "**Reporting Period**" or "**FY2018**"), the Group mainly engages in (i) provision of construction services and building materials supply (the "**Construction Business**"), (ii) development and sales of agricultural equipment (the "**Agricultural Business**"), (iii) trading of clean coal and others (the "**Trading Business**") and (iv) provision of financial services (the "**Financial Services**").

Construction Business

(a) Concrete demolition services and other construction services

Concrete demolition is one aspect 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 subcontract is approximately HK$71.0 million. Revenue of HK$20.9 million from this project was recognised during the Reporting Period. In late October 2018, the Group received a notice of termination from its upper tier subcontractor for the Shatin to Central Link project, due to the sub-contracting relationship between that sub-contractor and the main contractor of the project having been terminated.

(b) Prefabricated precast construction

Prefabricated precast construction is a new kind of architecture with the construction process that is splitting the traditional building products into precast reinforced concrete member produced in the factory and transported to the construction site for assembling into a whole building. Precast concrete contributes to green building practices as it can be very durable and energy-efficient. Prefabricated precast construction also reduces construction waste and debris on construction site as the precast concrete components are factory-made and employed by exact-batching technologies. In the 13th Five Year Plan for “Building Energy Efficiency and Green Building Development” released by the Ministry of Housing and Urban-Rural Development of China in February 2017, Chinese government set out the goals to achieve on the development of green building by 2020. The Group expects that the construction industrialization which is represented by the prefabricated precast construction has entered a new era of high speed growth and development in the PRC.

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 FY2018, Huizhou Precast contributed revenue of HK$4.5 million to the Group.

Agriculture Business

The Group has developed planting racks and an ecological LED cultivation cabinet system using a green technology and a tailored nutrient solution to grow hydroponic vegetables. In the PRC, the urban population is increasingly demanding pesticide-free, clean and fresh food. Therefore, partly automated farming at home may be a feature of healthy lifestyle in the future.

After a series of marketing and promotion campaigns in 2017 and 2018, the Group received a number of trial orders from local PRC and overseas distributors for testing their markets. However, based on the current customer responses to the new products of the Group, the Group believes that the lead time for the Group's products to gain wide market acceptance will be longer than expected. As the growth in China's domestic economy lost speed during the year and it could get worse in the year ahead, the Group decided to suspend the marketing and production plan for the LED cultivation cabinets and other related products. The Group cancelled the purchase orders of mass production for the mini LED cultivation cabinets with the manufacturer and has entered into negotiations with the manufacturer to refund the trade deposits for these purchase orders.

During the Reporting Period, the Group primarily made sales of planting racks through the distributors and leasing of planting racks to hot-pot restaurants providing on-site planting and supply of fresh vegetables for their customers.

Trading Business

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. Clean coal technology broadly refers to 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 utilization efficiency.

The development of clean coal is an established national policy of the PRC. 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 from burning coal and reduce reliance on imported oil. It is expected that there will be new market demand and development opportunities for the clean coal industry in the PRC.

Though the China government encourages the household switch to using natural gas from coal as part of its anti-pollution campaign, the Group expects that the demand and price of clean coal in China will be relatively stable. However, the financial results in the clean coal trading were still non-performing due to the high cost of transportation from Inner Mongolia to other cities in the PRC. Without further investment in the working capital to enlarge its sales volume, the Group considers it faces challenges to turn around its loss.

In the past years, the rapid revenue growth of the trading businesses, including LED products and clean coal, was bolstered by increasing its investment in the working capital. Recently, the global economy is, however, showing signs of a slowdown amid trade disputes between China and United States. The Group is now more concerned about the worsening credit quality of its customers than the growth of its trading business. Recently, the Group heeded warning signs that certain customers were running into temporary cash flow problems, resulting from the ripple effect of tightened financial environment. Under this uncertain situation, the Group is taking steps to curtail the size of investment in the trading business and to scale down the businesses in this area.

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.

During the Reporting Period, the Group provided the factoring loans of RMB9.4 million in total to customers. Certain factoring loans were shown a warning sign of default from the customers' repayment pattern, in which of certain loans had already turned to be non-performing. The Group will keep alert on deteriorating financial performance of the factoring customers and take necessary actions to recover the loan.

FINANCIAL REVIEW

Revenue

Revenue decreased by approximately HK$49.7 million or 27.1% from approximately HK$183.3 million for the year ended 31 December 2017 (the "**FY2017**") to approximately HK$133.6 million for the Reporting Period. The analysis of revenue was shown as follows:

Revenue by nature

	FY2018	FY2017
	HK$'000	*HK$'000*
Construction Business		
– Provision for construction services	**83,803**	71,835
– Prefabricated precast construction	**4,510**	–
– Manufacturing and trading of pre-stressed high strength concrete piles	**–**	8,581
Agriculture Business		
– Trading of ecological LED cultivation cabinet and others	**878**	9,110
Trading Business		
– Trading of clean coal and mixed coal	**38,206**	8,057
– Trading of LED light sources for decoration	**–**	85,462
– Others	**5,681**	–
Financial Services		
– Provision of financial services	**553**	238
	133,631	183,283

Provision of construction services

For the Reporting Period, the total revenue attributable to the provision of construction services was approximately HK$83.8 million, representing an increase of approximately HK$12.0 million or 16.7% as compared with approximately HK$71.8 million for FY2017. The increase was primarily due to an increase in revenue from construction services for Shatin to Central Link during FY2018.

Revenue from the concrete demolition services contributed HK$62.9 million to the total revenue attributable to the provision of construction services, representing a decrease of HK$7.1 million from HK$70.0 million for FY2017, resulting from a decrease in revenue contribution from certain large construction projects that were completed during FY2018.

Revenue from the construction services for Shatin to Central Link contributed HK$20.9 million to total revenue attributable to the provision of construction services, representing an increase of HK$19.1 million from HK$1.8 million for FY2017. This project was terminated in October 2018 due to the sub-contracting relationship between the upper-tier subcontractor and the main contractor of the project having been terminated.

Prefabricated precast construction

The revenue attributable to the prefabricated precast construction was approximately HK$4.5 million. The prefabricated precast construction business was acquired through the capital injection into Huizhou Precast Building Materials Co. Ltd in June 2018. As at 31 December 2018, the Group had construction contracts in hand with outstanding construction sum of approximately HK$5.7 million for the projects of manufacturing of the prefabricated precast construction components and/or its installations, all of which are expected to be completed before the second quarter 2019.

Trading of Agricultural Equipment

Revenue attributable to trading of Agricultural Equipment decreased by approximately HK$8.2 million from HK$9.1 million for FY2017 to HK$0.9 million for the Reporting Period. The decrease was primarily due to a decrease in sales of planting racks for FY2018.

Trading of clean coal and mixed coal

Revenue attributable to trading of clean coal increased by approximately HK$30.1 million from HK$8.1 million for FY2017 to HK$38.2 million for the Reporting Period. The Group has commenced the business of clean coal trading since August 2017. The growth in revenue for FY2018 was primarily due to an increase in sales volume of clean coal and mixed coal.

The Group also recorded a revenue of HK$5.7 million from trading of electrical appliances for the Reporting Period.

Financial Services

Revenue attributable to financial services was approximately HK$553,000, as compared to HK$238,000 for FY2017. The revenue from financial services comprised of approximately HK$481,000 for insurance brokerage fee and approximately HK$72,000 for interest income from factoring services.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately HK$0.1 million from approximately HK$28.7 million or 15.6% for FY2017 to approximately HK$28.6 million for the Reporting Period.

Gross profit margin increased from 15.6% for FY2017 to 21.4% for the Reporting Period. The increase was primarily due to a decrease in revenue from trading business that has a lower gross profit margin, resulting in an improvement in overall gross profit margin.

Administrative and Other Operating Expenses

Administrative and other operating expenses decreased by approximately HK$5.8 million from approximately HK$70.6 million for FY2017 to approximately HK$64.8 million for the Reporting Period. Such decrease was primarily due to a decrease of marketing cost for ecological LED cultivation cabinet system.

(Loss)/Gain on investments at fair value through profit or loss

During the Reporting Period, the Group recorded net realized losses of HK$35.7 million on investments at fair value through profit or loss. The Group disposed of all short term investments in the securities listed in Hong Kong during the Reporting Period. As at 31 December 2018, the Group did not hold any investment in listed securities.

During FY2017, the Group recorded a gain of HK$51.4 million on investments at fair value through profit or loss, of which HK$20.4 million was a net realized gain on sales of listed securities and HK$31.0 million was net fair value gain on the listed securities.

(Loss)/Profit Attributable to Owners of the Company

The Group's loss attributable to owners of the Company was approximately HK$194.8 million, as compared to a profit of HK$18.1 million attributable to owners of the Company. The reasons for turning profit into loss were primarily due to a combined effect of (i) a loss of approximately HK$35.7 million in sales of investments at fair value through profit or loss during the Reporting Period as compared with a gain of approximately HK$51.4 million in sales of investments at fair value through profit or loss in FY 2017; (ii) an increase of HK$1.7 million in share-based payments as staff cost and consultancy expenses; (iv) an increase of HK$46.6 million in impairment loss on trade receivables, primarily for the customers of trading business; (v) an impairment loss of HK$47.8 million in association with discontinuing the business plan for the ecological LED cultivation cabinet system.

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 2018 (the "**Reporting Period**"), the net proceeds from the Listing were applied as follows:

	Planned use of proceeds as stated in the Prospectus *HK$'million*	**Actual use of proceeds up to 31 December 2018** *HK$'million*
Enhancing machinery and equipment	16.4	8.7
Strengthening manpower	4.6	4.0
Increasing marketing efforts	1.7	1.7
Repayment of bank borrowings	5.5	5.5
General working capital	3.0	3.0
	31.2	22.9

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 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 placees 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 placees, 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 Reporting Period, 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.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2018, the Group had cash and bank deposits of approximately HK$39.2 million (2017: approximately HK$35.0 million).

The gearing ratio of the Group as at 31 December 2018 (defined as total borrowings including interest bearing and noninterest bearing, divided by the Group's total equity) was approximately 0.38 (2017: approximately 0.17).

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 certain 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.

Events after the Reporting Period

On 13 March 2018, the Company and an independent third party (the "**Purchaser**") entered into a sale and purchase agreement ("**Disposal Agreement**"), pursuant to which, the Company conditionally agreed to sell 51% of the entire issued share capital of Mansion Point Internation Limited (the "**Disposal Group**") to such independent third party at a cash consideration of HK$30,755,000 (the "**Disposal**").

The Company and the Purchaser entered into amendment agreements on 13 July 2018 and 4 February 2019, respectively whereby the completion date as set out in the Disposal Agreement has been amended to on or before 31 March 2019.

Debts and Charge on Assets

As at 31 December 2018, the total borrowings of the Group amounted to approximately HK$40.0 million, as compared to approximately HK$40.0 million as at 31 December 2017. The annual interest rates of the borrowings for the Reporting Period ranged from 0% to 7.5% (2017: 0% to 5%) per annum. All of the borrowings are unsecured and matures in one year. It was accounted for as current liabilities of the Group. All of the above are denominated in Hong Kong Dollars.

Capital Commitments

The Group does not have material capital commitments as at 31 December 2018.

Contingent Liability

As at 31 December 2018, the Group had no material contingent liabilities.

Employee and Remuneration Policies

As at 31 December 2018, the Group employed 153 staff (31 December 2017: 128 staff). Total employee costs for the Reporting Period including directors' emoluments, amounted to approximately HK$53.8 million (FY2017: approximately HK$48.6 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 does not recommend payment of final dividend to Shareholders for the Reporting Period (FY2017: Nil).

Business Review and Prospect

During 2018, the Group continued to focus on the construction business. Hong Kong is a densely-populated city with a well-developed construction industry. The growing size and complexity of construction projects are commonly awarded to a small number of large construction companies or contractors which possess sophisticated technology and strong financial backing. Most of small construction companies only act as subcontractors for a small part of the building projects. In this context, the Group's growth in the construction business in Hong Kong would be steady but in a slow pace. Thus, the Group now strives to drive its growth by tapping into the emerging markets, particularly in China. In view of the rapid urbanization in China and that Belt and Road Initiative that has driven the infrastructure development, the Group plans to build its own construction project teams with various construction qualifications to stretch its services ranges to cover the construction industry in China in order to solidify the construction business of the Group. Currently, a construction project team for prefabrication buildings was in place through the Group's acquisition of a prefabricated precast construction business in June 2018. There is a trend in the increased usage of prefabricated components in the construction sector under the support of Chinese government's green building development strategy. I believe that prefabrication construction business will shine on stage in China.

During the year, the Group encountered setbacks in launching of the ecological LED cultivation cabinet system to the market. In 2016, the Group had successfully developed the first prototype of ecological LED cultivation cabinet system and it would have since been gone into mass production and marketing. However, due to certain technical issues to having revamped the system, the Group postponed the schedule for its implementation plans that resulted in losing the best timing to launch the products to the market. The economic downturn and fierce competition in the hydroponics market have dealt a blow to the Group's marketing and production plans, thus the Group decides to suspend to launch this product. However, under the recent globally increasing concerns about healthy living and food security, the Group believes that the demand for green food will continue to rise. Green food is an indispensable part of our green life. Though this business we put forward did not go in long way, the Group will continue to commit to the green initiatives. We are still full of confidence in its business prospect and will re-formulate the sustainable strategy to realign the development of agricultural business sector.

I expect that the Group is sailing into strong headwinds in 2019. We have to maintain a high degree of vigilance against the unpredictable international developments and sensitive external environment. However, I have confidence that we could encounter the recent setbacks and strive to achieve good performance through the realignment of the business development strategy amidst the possible global economic turbulence. The Group will closely monitor the market development and the change in the surrounding of the Group's operations. We will continue to adhere to our core philosophy of "Building a Green World" and the ideology of "green building and green life" with quality, innovation and effectiveness and achieve our expansion of the Group's business with a view to optimizing stakeholders' interests and maximizing their value.

INTERESTS IN COMPETING BUSINESS

Having made specific enquiry of all Directors, 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.

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

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

CORPORATE GOVERNANCE CODE

Throughout the Reporting Period, the Company has complied with the applicable code provisions of the Code except for the deviations from code provisions A.2.1 and E.1.2 of the Code which are explained in the section headed "Compliance with the Corporate Governance Code" of the Corporate Governance Report.

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.

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") are set out in note 30 to the consolidated financial statements in this annual report. The Scheme will remain in force for a period of ten years commencing on the Date of Adoption 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.

The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time 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.

As at 31 December 2018, the number of outstanding share options under the Scheme is 16,306,050 options, representing 1.61% of the total issued Shares. The details of movements in shares options under Scheme during the Reporting Period are set out below:

	Number of share options
Outstanding shares option as at 1 January 2018	47,269,000
Granted during the year	101,060,500
Exercised during the year	–
Cancelled during the year	(132,023,450)
Lapsed during the year	–
Outstanding shares option as at 31 December 2018	16,306,050

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.

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 2018 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 2018. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance 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.

AUDITOR

ZHONGHUI ANDA CPA Limited ("**ZHONGHUI ANDA**") was the auditor of the Company, which shall retire in the forthcoming AGM and, being eligible, offer itself for reappointment. A resolution for the re-appointment of ZHONGHUI ANDA as auditors of the Company will be proposed at the forthcoming AGM.

AUDIT COMMITTEE

The Company has established the Audit Committee on 2 August 2014 with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and provisions C.3.3 and C.3.7 of the Code. The majority of the Audit Committee members must be independent non-executive Directors and must be chaired by an independent non-executive Directors. If any member of the Audit Committee ceases to be a Director, he/she will cease to be a member of the Audit Committee automatically.

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

By order of the Board
Glory Flame Holdings Limited
Zhu Zhou
Chairman

Hong Kong, 29 March 2019

As at the date of this announcement, the executive Directors are Mr. Zhu Zhou and Ms. Jiao Fei and the independent non-executive Directors are Mr. Chung Kam Wah, Mr. Liu Yingjie and Mr. Cao Hongmin.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

This announcement will remain on the "Latest Company Announcements" page of the website of the GEM of The Stock Exchange of Hong Kong Limited at www.hkgem.com for at least seven days from the date of publication. This announcement will also be posted on the Company's website at www.gf-holdings.com.