GLORY FLAME HOLDINGS LIMITED
朝威控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8059)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2019

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

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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.

FINANCIAL HIGHLIGHT

For the three months ended 31 March 2019, the operating results of the Group were as follows:

- Revenue amounted to approximately HK$18.0 million (2018: approximately HK$34.8 million), representing a decrease of approximately 48.3% from the corresponding period of last year;
- Net loss amounted to approximately HK$12.3 million as compared to a net profit of approximately HK$0.9 million for the corresponding period of last year;
- Basic and diluted loss per share based on weighted average number of ordinary shares was approximately HK1.04 cents (2018: Basis and diluted earnings per share of approximately HK0.13 cents);
- The Board does not recommend the payment of a dividend to owners of the Company for the three months ended 31 March 2019 (2018: Nil).

FIRST QUARTERLY RESULTS

The board (the “Board”) of directors (the “Director(s)”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2019 (the “Reporting Period”), together with the unaudited comparative figures for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2019

	Notes	Three months ended 31 March	
		2019	2018
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**17,992**	34,791
Cost of sales		**(14,110)**	(25,685)
Gross profit		**3,882**	9,106
Other income and net gains	*4*	**720**	5,140
Administrative and other operating expenses		**(16,151)**	(13,357)
Operating (loss)/profit		**(11,549)**	889
Finance costs		**(750)**	–
(Loss)/profit before income tax		**(12,299)**	889
Income tax expense	*5*	**–**	(29)
(Loss)/profit for the period		**(12,299)**	860
Other comprehensive income/(loss):			
Item that may be reclassified to profit or loss		**817**	(182)
Total comprehensive (loss)/income for the period		**(11,482)**	678
(Loss)/profit for the period attributable to:			
Owners of the Company		**(10,486)**	1,197
Non-controlling interests		**(1,813)**	(337)
		(12,299)	860
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		**(8,506)**	1,086
Non-controlling interests		**(2,976)**	(408)
Total comprehensive (loss)/income for the period		**(11,482)**	678
		HK cents	*HK cents*
Basic and diluted (loss)/earnings per share	*7*	**(1.04)**	0.13

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2019

	Attributable to owners of the Company									
	Combined/ Share capital	Share premium	Share-based payment	Merger reserves	Foreign currency translation reserve	Other reserve	(Accumulated losses)/ Retained earnings	Total equity	Non-controlling interest	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 2019	**10,106**	**268,953**	**4,764**	**15,800**	**(3,289)**	**(1,672)**	**(190,465)**	**104,197**	**(61)**	**104,136**
Total comprehensive income/ (loss) for the period	**–**	**–**	**–**	**–**	**1,980**	**–**	**(10,486)**	**(8,506)**	**(2,976)**	**(11,482)**
Balance at 31 March 2019 (unaudited)	**10,106**	**268,953**	**4,764**	**15,800**	**(1,309)**	**(1,672)**	**(200,951)**	**95,691**	**(3,037)**	**92,654**
Balance at 1 January 2018	9,297	230,122	10,707	15,800	414	(1,672)	(22,402)	242,266	(920)	241,346
Total comprehensive income/(loss) for the period	–	–	–	–	(111)	–	1,197	1,086	(408)	678
Balance at 31 March 2018 (unaudited)	9,297	230,122	10,707	15,800	303	(1,672)	(21,205)	243,352	(1,328)	242,024

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2019

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 GEM of The Stock Exchange of Hong Kong Limited with effect from 15 August 2014.

The address of the Company's registered office is Clifton House, 75 Fort Street, P.O. 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 Business"), (ii) Sales of agriculture-related products (the "Agriculture Business"), (iii) trading of clean coal and others (the "Trading Business") and (iv) provision of financial services (the "Financial Services").

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months ended 31 March 2019 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 three months ended 31 March 2019 are consistent with those adopted in the annual financial statements of the Company for the year ended 31 December 2018 except for those new and revised HKFRSs and interpretations issued by the HKICPA that are adopted for the first time for the current periods in the financial statements.

Except for HKFRS 16 "Lease", the adoption of the new and revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the three months ended 31 March 2019. The Group transitioned to HKFRS 16 in accordance with the modified retrospective approach and therefore comparative figures were not restated. Upon application of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The associated right-of-use assets were measured at the amount equal to the respective lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 31 December 2018.

The financial statements for the three months ended 31 March 2019 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 three months ended 31 March 2019 are presented in Hong Kong dollars ("HK$"), which is the same functional currency of the Company.

3. REVENUE

Revenue recognised during the Reporting Period is as follows:

	Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Turnover		
Construction Business		
– Provision of construction services	**16,249**	22,690
– Manufacturing and trading of prefabricated precast construction components	**1,680**	–
Agriculture Business		
– Trading of agricultural equipment	**–**	402
Trading Business		
– Trading of clean coal	**–**	11,563
Financial Services		
– Provision of insurance brokerage and consultancy services	**62**	136
	17,991	34,791

4. OTHER INCOME AND NET GAINS

	Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income	**1**	1
Gain on financial assets at fair value through profit or loss, net	**–**	5,015
Others, net	**719**	124
	720	5,140

5. INCOME TAX EXPENSE

	Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong profits tax	**–**	29

Hong Kong profits tax has been provided at a rate of 16.5% (2018: 16.5%) on the estimated assessable profit of the Group arising in or derived from Hong Kong for the period as stated above.

6. DIVIDEND

The Board does not recommend the payment of a dividend to owners of the Company for the three months ended 31 March 2019 (2018: Nil).

7. (LOSS)/EARNINGS PER SHARE

	Three months ended 31 March	
	2019	2018
	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to owners of the Company *(HK$'000)*	**(10,486)**	1,197
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share *(in thousand)*	**1,010,605**	929,707

The calculation of the basic earnings (loss) per share attributable to owners of the Company was based on (i) the (loss) earnings 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.

The diluted (loss) earnings per share is equal to the basic (loss) earnings per share as there were no dilutive potential ordinary shares in issue during the three months ended 31 March 2019 and 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The principal activity of the Company is investment holding. For the period ended 31 March 2019 ("the Reporting Period"), the Group mainly engages in (i) provision of construction services and building materials supply (the "Construction Business"), (ii) Sales of agriculture-related products (the "Agriculture 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 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 various 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.

(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.

As at March 2019, the Group had construction contracts in hand with outstanding contract sum of approximately HK$3.9 million for manufacturing of prefabricated precast construction components and/or its installation, all of which are expected to be completed before the second quarter of 2019.

Agriculture Business

During the Reporting Period, the Group has been formulating the strategy and plan to extend the Agriculture Business to green food production. Under the globally increasing concerns about healthy living and food security, the Group believes that the demand for green food will continue to rise. The Group has now been discussing with certain agribusiness to explore the feasibility of cooperation to develop the business of agricultural produce and agriculture-related products.

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. 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.

During the Reporting Period, the Group decided to suspend the clean coal trading business as it had operating at a loss. Given the current cost structure of the clean coal trading business, the Group believes that, notwithstanding its initiatives in reviewing the supply chain operations and re-negotiating contract terms with customers and business partners, it would be challenging to turn around this segment without significantly upscaling the working capital and other capital expenditure for this segment. The Group has no fixed timeline for resuming the clean coal trading business.

Financial Services

The Group's financial services business includes provision of insurance brokerage and consultancy services in Hong Kong. During the Reporting Period, the Group withheld all new application of commercial factoring services as the Group believes that the corporate default risk in the PRC was on the rise.

FINANCIAL REVIEW

Revenue

Revenue decreased by approximately HK$16.8 million or 48.3% from approximately HK$34.8 million for the period ended 31 March 2018 (the "PE18") to approximately HK$18.0 million for the Reporting Period. An analysis of revenue is as follows:

Revenue by nature

	For the three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Construction Business		
– Provision of construction services	**16,249**	22,690
– Manufacturing and trading of prefabricated precast construction components	**1,680**	–
Agriculture Business		
– Trading of agricultural equipment	**–**	402
Trading Business		
– Trading of clean coal	**–**	11,563
Financial Services		
– Provision of insurance brokerage and consultancy services	**62**	136
	17,991	34,791

Provision of construction services

For the Reporting Period, revenue attributable to the provision of construction services was approximately HK$16.2 million, representing a decrease of approximately 28.6% as compared with approximately HK$22.7 million for PE18. The decrease was primarily attributable to a decrease of HK$5.6 million in revenue from the provision for construction services for the project of Shatin to Central link. 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

Revenue attributable to the prefabricated precast construction was approximately HK$1.7 million. The Group acquired the prefabricated precast construction business in June 2018.

Trading of Agricultural Equipment

In year 2018, the Group decided to suspend the business plan for the LED cultivation cabinets and other related products due to the downturn and fierce competition in the hydroponic market. During the Reporting Period, the Group made no sales of agricultural equipment.

During PE18, the revenue of HK$0.4 million attributable to Agriculture Business was primarily generated from sales and leasing of the planting racks.

Trading of clean coal

The Group decided to suspend the business of clean coal trading as it was operating at a loss. No revenue attributable to trading of clean coal was generated during the Reporting Period, as compared to that of HK$11.6 million for PE18.

Gross Profit and Gross Profit Margin

Our Group's gross profit decreased by HK$5.2 million from approximately HK$9.1 million for PE18 to approximately HK$3.9 million for the Reporting Period, representing a decrease of approximately 57.1%. Such decrease was mainly due to a decrease of approximately HK$3.1 million in gross profit attributable to the provisions of construction services, and a decrease of HK$1.9 million in the gross profit attributable to trading of clean coal during the Reporting Period, resulting from a decrease in their respective revenue and an increase in subcontracting cost for construction services.

Our Group's gross profit margin decreased from 26.2% in PE18 to 21.6% in the Reporting Period. The decrease was mainly due to a decline in the gross profit margin for the provision of construction services.

Administrative and Other Operating Expenses

Our Group's general and administrative expenses increased by approximately HK$2.8 million from approximately HK$13.4 million for PE18 to approximately HK$16.2 million for the Reporting Period. Such increase was mainly due to an increase of HK$2.1 million in impairment loss on trade receivables, and an increase of HK$0.4 million in research expenses for prefabricated precast construction.

(Loss)/profit Attributable to Owners of the Company

Our Group's loss attributable to owners of the Company was approximately HK$10.5 million (PE18: profit attributable to owners of the Company of approximately HK$1.2 million), mainly due to a combined effect of (i) a decrease in the Group's revenue and gross profit for the Reporting Period, (ii) a net gain of HK$5.0 million on financial assets at fair value through profit or loss was recognised for PE18 and (iii) an increase of HK$2.1 million in impairment loss on trade receivables.

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 31 March 2019, 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 and underlying Shares held/interested in	Approximate percentage of shareholding
Zhu Zhou	Beneficial owner	269,000,000	26.62%

(ii) Short positions

As at 31 March 2019, none of the directors or the 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 31 March 2019 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
Huang Cheng	Beneficial owner	188,620,000	Long	18.66%
Zhou Jin *(Note)*	Beneficial owner	144,500,000	Long	14.30%

Note: Ms. Zhou Jin was appointed as an executive Director on 12 April 2019.

COMPETING INTERESTS

Having made specific enquiry to 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 interests 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 has 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 should be separate and not performed by the same individual. During the Reporting Period, Mr. Zhu Zhou ("Mr. Zhu") is both the chairman of the Board and CEO of the Group. The Board is of the opinion that vesting the roles of both the chairman of the Board and CEO in Mr. Zhu has the benefit of ensuring consistent leadership within the Group thus enabling more effective and efficient strategic planning for the Group. The Board also believes that the balance of power and authority is not compromised and is 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 have 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 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 to the Directors, all the Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the Reporting Period.

DIVIDEND

The Board does not recommend payment of a dividend to owners of the Company for the three months ended 31 March 2019 (2018: nil).

SHARE OPTION SCHEME

The Company has 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.

No share options were granted, exercised, lapsed or cancelled during the Reporting Period.

CHANGE IN INFORMATION OF DIRECTORS

The changes in information of the directors of the Company subsequent to the year ended 31 December 2018 are set out below:

Name of director	Details of the change
Ms. Zhou Jin ("Ms. Zhou")	On 12 April 2019, Ms. Zhou was appointed as an executive director of the Company
Mr. Chan Kam Wah ("Mr. Chan")	On 18 April 2019, Mr. Chan resigned as an executive director of Elegance Optical International Holdings Limited (Stock code: 0907)

AUDIT COMMITTEE

The Company has established the audit committee (the "Audit Committee") on 2 August 2014 with its written 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 primary duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. The Audit Committee consists of three members, namely Mr. Chan Kam Wah (chairman), Mr. Cao Hongmin and Mr. Liu Yingjie.

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
Zhu Zhou
Chairman

Hong Kong, 10 May 2019

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