

Glory Flame Holdings Limited

朝威控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8059

Interim Report
2015

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, 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 (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 report 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 report misleading.

CONTENTS

| | <i>Page</i> |
|--|-------------|
| 1. Highlights | 3 |
| 2. Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income (unaudited) | 4 |
| 3. Condensed Consolidated Statement of Financial Position (unaudited) | 5 |
| 4. Condensed Consolidated Statement of Changes in Equity (unaudited) | 6 |
| 5. Condensed Consolidated Statement of Cash Flows (unaudited) | 7 |
| 6. Notes to the Interim Consolidated Financial Statements (unaudited) | 8-13 |
| 7. Management Discussion and Analysis | 14-16 |
| 8. Corporate Governance and Other Information | 17-20 |

HIGHLIGHTS

For the six months ended 30 June 2015, the operating results of the Group were as follows:

- Revenue amounted to approximately HK\$43.8 million (2014: approximately HK\$46.0 million), representing a decrease of approximately 4.8% as compared with the corresponding period of last year.
- The profit attributable to the owners of the Company was approximately HK\$5.4 million, representing an increase of approximately HK\$36,000 or 0.7% as compared with the corresponding period of last year.
- Basic and diluted earnings per share based on weighted average number of ordinary shares was approximately HK\$0.87 cents (2014: approximately HK\$0.10 cents).
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: Nil).

INTERIM RESULTS

The board (“Board”) of directors (“Directors”) of the Company 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 2015 (the “Reporting Period”), together with the unaudited comparative figures for the corresponding period in 2014, as follows:–

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

| | Notes | Unaudited Three months ended 30 June | | Unaudited Six months ended 30 June | |
|--|-------|--|------------------|--|------------------|
| | | 2015 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 | 2014 HK\$'000 |
| Revenue | 3 | 25,946 | 25,262 | 43,849 | 46,042 |
| Cost of sales | | (14,793) | (16,584) | (28,897) | (27,914) |
| Gross profit | | 11,153 | 8,679 | 14,952 | 18,128 |
| Other income and net gains | | 47 | 466 | 249 | 469 |
| Administrative and other operating expenses | 4 | (3,954) | (5,431) | (8,244) | (11,094) |
| Operating profit | | 7,246 | 3,713 | 6,957 | 7,503 |
| Finance costs | | (34) | (82) | (59) | (184) |
| Profit before income tax | | 7,212 | 3,631 | 6,898 | 7,319 |
| Income tax expenses | 5 | (1,367) | (961) | (1,505) | (1,962) |
| Profit and total comprehensive income for the period attributable to owners of the Company | | 5,845 | 2,670 | 5,393 | 5,357 |
| | | HK cents | HK cents | HK cents | HK cents |
| Basic and diluted earnings per share | 7 | 0.94 | 0.52 | 0.87 | 1.05 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

| | | 30 June 2015 | 31 December 2014 |
|--|--------------|-------------------------|---------------------|
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | Unaudited | Audited |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 13,983 | 13,507 |
| Current assets | | | |
| Inventories | | 682 | 657 |
| Trade and other receivables | 8 | 36,135 | 27,122 |
| Cash and cash equivalents | | 39,754 | 40,996 |
| | | 76,571 | 68,775 |
| Total assets | | 90,554 | 82,282 |
| EQUITY | | | |
| Capital and reserves | | | |
| Share capital | 10 | 6,200 | 6,200 |
| Share premium | 10 | 34,025 | 34,025 |
| Merger reserve | | 15,800 | 15,800 |
| Retained earnings | | 20,347 | 14,954 |
| Total equity | | 76,372 | 70,979 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | | 1,691 | 730 |
| Deferred taxation | | 1,274 | 1,274 |
| | | 2,965 | 2,004 |
| Current liabilities | | | |
| Trade and other payables | 9 | 6,681 | 6,139 |
| Borrowings | | 2,256 | 1,881 |
| Tax payable | | 2,280 | 1,279 |
| | | 11,217 | 9,299 |
| Total Liabilities | | 14,182 | 11,303 |
| Total equity and liabilities | | 90,554 | 82,282 |
| Net current assets | | 65,354 | 59,476 |
| Total assets less current liabilities | | 79,337 | 72,983 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2015

| | Combined/ share capital HK\$'000 | Share premium HK\$'000 | Capital reserves HK\$'000 | Merger reserves HK\$'000 | Retained earnings HK\$'000 | Total equity HK\$'000 |
|---|--|------------------------------|---------------------------------|--------------------------------|----------------------------------|-----------------------------|
| Balance at 1 January 2015 | 6,200 | 34,025 | – | 15,800 | 14,954 | 70,979 |
| Profit and total comprehensive income for the period | – | – | – | – | 5,393 | 5,393 |
| Balance at 30 June 2015 (unaudited) | 6,200 | 34,025 | – | 15,800 | 20,347 | 76,372 |
| Balance at 1 January 2014 (<i>Note 1</i>) | 5,000 | – | – | – | 10,132 | 15,132 |
| Profit and total comprehensive income for the period | – | – | – | – | 5,357 | 5,357 |
| Deemed contribution from Mr. Pei arising from waiver of a loan (<i>Note 2</i>) | – | – | 2,800 | – | – | 2,800 |
| Capitalisation of shareholder's loan | 8 | 7,992 | – | – | – | 8,000 |
| Reorganisation | (5,008) | (7,992) | (2,800) | 15,800 | – | – |
| Balance at 30 June 2014 (unaudited) | – | – | – | 15,800 | 15,489 | 31,289 |

Notes:

- For the purpose of the preparation of the condensed consolidated statement of change in equity, the balance of the combined capital at 30 June 2014 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group prior to the Reorganisation.
- This represents the waiver of the amount due to Mr. Pei Wing Fu ("Mr. Pei"), the controlling shareholder of the Company, and is accounted for as deemed capital contribution from the shareholder.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

| | Six months ended | |
|---|------------------|--------------|
| | 30 June | |
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Net cash inflow from operating activities | 1,269 | 873 |
| Net cash outflow from investing activities | (1,288) | (8,329) |
| Net cash (outflow)/inflow from financing activities | (1,223) | 6,801 |
| | <hr/> | <hr/> |
| Net decrease in cash and cash equivalents | (1,242) | (655) |
| Cash and cash equivalents at 1 January | 40,996 | 4,384 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at 30 June | 39,754 | 3,729 |
| | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED 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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited with effect from 15 August 2014. Its parent and ultimate holding company is Power Key Investments Limited (“Power Key”), a company incorporated in the British Virgin Islands (the “BVI”) and beneficially owned by Mr. Pei Wing Fu and Ms. Lau Kwai Fong (“Mrs. Pei”) (hereinafter collectively referred to as the “Controlling Parties”).

The address of the Company’s registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY11108, Cayman Islands. The address of the Company’s principal place of business in Hong Kong is Suites 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong. The Company is an investment holding company. The Group is principally engaged in the provision of concrete demolition services in Hong Kong as a subcontractor.

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company’s shares on the GEM of the Stock Exchange (the “Reorganisation”), the group entities were under the control of the Controlling Parties. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 8 May 2014. Accordingly, for the purpose of the preparation of the unaudited condensed consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of the Controlling Parties prior to and after the Reorganisation.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2015 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 2015 are consistent with those adopted in the annual financial statements of the Company for the year ended 31 December 2014.

The financial statements for the six months ended 30 June 2015 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 2015 are presented in Hong Kong dollars (“HK\$”), which is the same functional currency of the Company.

3. REVENUE

Revenue, which is also the Group's turnover, represents receipts from provision of concrete demolition services in the ordinary course of business. Revenue and other income and net gains recognised during the Reporting Period are as follows:

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2015 HK\$'000 (unaudited) | 2014 HK\$'000 (unaudited) |
| Turnover | | |
| Provision of concrete demolition services | 43,849 | 46,042 |
| Other income and net gains | 249 | 469 |
| | <u>44,098</u> | <u>46,511</u> |

The Group currently conducts in a single operating segment, which is the provision of concrete demolition services. Also, the Group only engages business in Hong Kong. As such, no segment information is presented separately.

4. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

| | Six months ended 30 June | |
|------------------|---------------------------------|---------------------------------|
| | 2015 HK\$'000 (unaudited) | 2014 HK\$'000 (unaudited) |
| Listing expenses | – | 4,404 |
| Others | 8,244 | 6,690 |
| | <u>8,244</u> | <u>11,094</u> |

5. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|-----------------------|--|--|
| | 2015 HK\$'000 (unaudited) | 2014 HK\$'000 (unaudited) |
| Hong Kong profits tax | 1,505 | 1,812 |
| Deferred income tax | — | 150 |
| | <u>1,505</u> | <u>1,962</u> |

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit of the Group for the period as stated above.

6. INTERIM DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2015.

7. EARNINGS PER SHARE

The calculations of basic earnings per share for the six months ended 30 June 2015 are based on the followings:

| | Three months ended 30 June | | Six months ended 30 June | |
|--|--|--|--|--|
| | 2015 HK\$'000 (unaudited) | 2014 HK\$'000 (unaudited) | 2015 HK\$'000 (unaudited) | 2014 HK\$'000 (unaudited) |
| Earnings: | | | | |
| Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company) | 5,845 | 2,670 | 5,393 | 5,357 |
| Number of shares: | | | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 620,000,000 | 511,500,000 | 620,000,000 | 511,500,000 |

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and Capitalisation Issue had been effective on 1 January 2014.

No diluted earnings per share was presented as there was no potential ordinary shares in issue during the periods under review.

8. TRADE AND OTHER RECEIVABLES

| | At 30 June 2015 HK\$'000 (unaudited) | At 31 December 2014 HK\$'000 (audited) |
|---|---|---|
| Trade receivables | 31,568 | 22,878 |
| Less: allowance for impairment of trade receivables | <u>(123)</u> | <u>(129)</u> |
| Trade receivables, net | 31,445 | 22,749 |
| Retention receivables | 2,810 | 3,284 |
| Less: allowance for impairment of retention receivables | <u>(202)</u> | <u>(207)</u> |
| Retention receivables, net | 2,608 | 3,077 |
| Other receivables, deposits and prepayments | <u>2,082</u> | <u>1,296</u> |
| | <u>36,135</u> | <u>27,122</u> |

Notes:

- (a) Trade receivables are past due when a counterparty has failed to make a payment when contractually due. The credit period granted to customers is 15 days generally. Trade receivables are denominated in HKD.
- (b) The ageing analysis of the trade receivables based on invoice date is as follows:

| | At 30 June 2015 HK\$'000 (unaudited) | At 31 December 2014 HK\$'000 (audited) |
|---------------|---|---|
| 0-30 days | 13,119 | 6,247 |
| 31-60 days | 3,417 | 4,510 |
| 61-90 days | 4,947 | 3,747 |
| 91 – 365 days | 8,497 | 7,679 |
| Over 365 days | <u>1,465</u> | <u>566</u> |
| | <u>31,445</u> | <u>22,749</u> |

9. TRADE AND OTHER PAYABLES

| | At 30 June 2015 HK\$'000 (unaudited) | At 31 December 2014 HK\$'000 (audited) |
|-----------------------------|---|---|
| Trade payables | 4,372 | 4,135 |
| Accruals and other payables | 2,309 | 2,004 |
| | <u>6,681</u> | <u>6,139</u> |

Notes:

- (a) Payment terms granted by suppliers are 30 days from the invoice date of the relevant purchases.
- (b) The ageing analysis of trade payables based on the invoice date is as follows:

| | At 30 June 2015 HK\$'000 (unaudited) | At 31 December 2014 HK\$'000 (audited) |
|------------|---|---|
| 0-30 days | 2,159 | 1,883 |
| 31-60 days | 30 | 5 |
| 61-90 days | — | — |
| Over 90 | 2,183 | 2,247 |
| | <u>4,372</u> | <u>4,135</u> |

10. SHARE CAPITAL AND PREMIUM

Ordinary shares of HK\$0.01 each:

| Authorised: | Number of ordinary shares | Amount HK\$'000 |
|---|--------------------------------------|---------------------------------------|
| Ordinary shares at 31 December 2014 and 30 June 2015 | 2,000,000,000 | 20,000 |
| | Number of ordinary shares | Ordinary shares |
| Issued and fully paid: | HK\$'000 | Share Premium HK\$'000 |
| Ordinary shares at 31 December 2014 and 30 June 2015 | 620,000,000 | 6,200 |
| | | 34,025 |

11. COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at the end of the reporting period not provided for in the consolidated financial statements were as follows:

| | At 30 June 2015 HK\$'000 (unaudited) | At 31 December 2014 HK\$'000 (audited) |
|----------------------------------|---|---|
| Contracted but not provided for: | | |
| Property, plant and equipment | <u>2,301</u> | <u>211</u> |

(b) Operating lease commitments

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

| | At 30 June 2015 HK\$'000 (unaudited) | At 31 December 2014 HK\$'000 (audited) |
|--|---|---|
| No later than one year | 576 | 413 |
| Later than one year and no later than five years | <u>–</u> | <u>127</u> |
| | <u>576</u> | <u>540</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the Reporting Period, all of our Group's revenue was derived from concrete demolition service rendered to the Group's customers and was generated in Hong Kong. The Group's revenue for the Reporting Period was approximately HK\$43.8 million, representing a decrease of approximately 4.8% from the corresponding period of last year (2014: approximately HK\$46.0 million). Such decrease was mainly due to the decrease in revenue experienced by the Group in the three months ended 31 March 2015 as set out in the Company's first quarterly report of 2015, which was attributable to, among other factors, the increasing price competition in certain concrete demolition jobs and the delay of certain projects of some of the Group's customers.

The Group's gross profit amounted to approximately HK\$15.0 million for the Reporting Period, representing a decrease of approximately 17.5%, as compared with approximately HK\$18.1 million from the corresponding period of last year. Such decrease was mainly due to the decrease in revenue as explained above as well as the increase of the Group's cost of sales during the Reporting Period, such as subcontracting, staff costs, depreciation and transportation expenses.

The Group's general and administrative expenses amounted to approximately HK\$8.2 million for the Reporting Period, representing a decrease of approximately 25.7% as compared with approximately HK\$11.1 million for the six months ended 30 June 2014. Such decrease was the net result of (1) the listing expenses of approximately HK\$4.4 million incurred during the six months ended 30 June 2014 which was non-recurring in the Reporting Period; (2) the saving in operating lease on premises and depreciation of assets under finance lease; and (3) the increase in staff cost and directors' emoluments, depreciation of self-owned assets, auditor's remuneration and professional fees, and other expenses.

As a result, profit attributable to owners of the Group for the Reporting Period was approximately HK\$5.4 million (2014: approximately HK\$5.4 million).

Liquidity, Financial Resources, and Capital Structure

As at 30 June 2015, the Group's current assets amounted to approximately HK\$90.6 million, of which approximately HK\$39.8 million was cash and bank balances, and approximately HK\$36.1 million were trade and other receivables. Current liabilities was approximately HK\$11.2 million, of which approximately HK\$6.7 million and HK\$2.3 million were trade and other payables and borrowings respectively. Net current assets were approximately HK\$65.4 million as at 30 June 2015.

| | At 30 June 2015 | At 31 December 2014 |
|-----------------------------|----------------------------|------------------------|
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (audited) |
| Current assets | | |
| Trade and other receivables | 36,135 | 27,122 |
| Cash and cash equivalents | 39,754 | 40,996 |
| Current liabilities | | |
| Trade and other payables | 6,681 | 6,139 |
| Borrowings | 2,256 | 1,881 |
| Net current assets | 65,354 | 59,476 |

The gearing ratio of the Group as at 30 June 2015 (defined as total borrowings including interest bearing and non-interest bearing, divided by the Group's total equity) was approximately 5.2% as compared to approximately 3.7% as of 31 December 2014.

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 Currency Risk

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

Material Acquisitions and Disposal of Subsidiaries and Associated Companies

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

Debts and Charge on Assets

The total interest-bearing borrowings of the Group consisted of bank borrowings and finance lease liabilities in a sum of approximately HK\$3.9 million as at 30 June 2015 as compared to approximately HK\$2.6 million as at 31 December 2014. As at 30 June 2015, finance lease liabilities was approximately HK\$3.9 million (2014: bank borrowings: HK\$0.07 million and finance lease liabilities: HK\$2.5 million). The annual interest rates of the finance lease were between 3.5% and 4.75% (2014: bank borrowings: 4.75% and finance lease: 4.0% to 4.75%). Approximately 57.2% of the borrowings was accounted for as current liabilities of the Group (2014: approximately 73.1%). The borrowings repayable within one year amounted to approximately HK\$2.3 million. All of the above are denominated in Hong Kong Dollars.

Finance lease liabilities are secured by certain plant and machinery of the Group with an aggregated net book value of approximately HK\$0.7 million and HK\$1.5 million as at 30 June 2015 and 31 December 2014 respectively.

Employee and Remuneration Policies

As at 30 June 2015, the Group employed 65 staff. Total employee costs (including directors' emoluments) for the Reporting Period amounted to approximately HK\$10.2 million (2014: approximately HK\$9.0 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 awarded 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.

Commitments and Contingent Liability

The Group does not have material capital commitments and contingent liabilities as at 30 June 2015.

Significant Investments and New Business

The Company did not have any plans for significant investments nor new business.

Business Review and Outlook

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

The rapid development for railway and highway infrastructure in Hong Kong presents promising opportunities for the concrete demolition industry, primarily because concrete-based structures such as rails, bridges and tunnels have to be molded or modified by way of excavating concretes. Therefore, the rising number of transportation networks will continue to drive the concrete demolition industry in Hong Kong. In view of the above, there are positive prospects for our Group. However, the simultaneous occurrence of the increase in subcontracting costs during holiday seasons in the first quarter of 2015 coupled with, among other things, price competition in certain concrete demolition jobs, affected our profitability for the first quarter of 2015. Nevertheless, the situation improved in the second quarter of 2015 when the Group's revenue achieved a moderate growth of approximately 2.7% compared with the corresponding period in 2014. The Group will continue to monitor the situation closely and seek to optimize our business strengths and competitive advantages wherever possible.

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 2015, 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

| Name of Directors | Capacity/Nature | Number of Shares held/interested in | Approximate percentage of shareholding |
|---|------------------------------------|-------------------------------------|--|
| Mr. Pei Wing Fu ("Mr. Pei") (Note 1) | Interest in controlled corporation | 335,539,000 | 54.12% |
| Ms. Pei Wing Sze Clare (Note 2) | Interest in controlled corporation | 109,461,000 | 17.65% |

Notes:

1. Mr. Pei beneficially owns Power Key Investments Limited ("Power Key") as to 74.55% and is deemed, or taken to be, interested in all the Shares held by Power Key for the purposes of the SFO. Mr. Pei is an executive Director, the chairman of the Company and the sole director of Power Key.
2. Ms. Pei Wing Sze Clare ("Ms. Pei") beneficially owns Talent Great Investments Limited ("Talent Great") as to 100% and is deemed, or taken to be, interested in all the Shares held by Talent Great for the purposes of the SFO. Ms. Pei is an executive Director and the sole director of Talent Great.

(ii) **Long position in the ordinary shares of associated corporation**

| Name of Director | Name of associated corporation | Capacity/ Nature | Number of Shares held/ interested in | Percentage of shareholding |
|-------------------------|---------------------------------------|-----------------------------|---|---------------------------------------|
| Mr. Pei | Power Key | Beneficial owner | 7,455 | 74.55% |

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

Save as disclosed below, as at 30 June 2015 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 shareholding |
|--------------------------------|--|---|--------------------------------|---|
| Ms. Lau Kwai Fong (Note 1) | Interest of spouse | 335,539,000 | Long | 54.12% |
| Mr. Choi Chi Chung (Note 2) | Interest of spouse | 109,461,000 | Long | 17.65% |
| Power Key | Beneficial owner | 335,539,000 | Long | 54.12% |
| Talent Great | Beneficial owner | 109,461,000 | Long | 17.65% |

Notes:

1. Ms. Lau Kwai Fong ("Mrs. Pei") is the spouse of Mr. Pei and is deemed, or taken to be, interested in all the Shares in which Mr. Pei is interested for the purposes of the SFO. Mrs. Pei also beneficially owns Power Key as to 25.45%.
2. Mr. Choi Chi Chung is the spouse of Ms. Pei and is deemed, or taken to be, interested in all the Shares in which Ms. Pei is interested for the purposes of the SFO.

COMPETING INTERESTS

Having made specific enquiry of all Directors, the controlling shareholders and substantial shareholders, all of them have confirmed that neither themselves nor their respective 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.

INTEREST OF COMPLIANCE ADVISOR

As at 30 June 2015, as notified by the Company's compliance advisor, Messis Capital Limited (the "Compliance Advisor"), except for the compliance advisor agreement entered into between the Company and the Compliance Advisor dated 13 May 2014, neither the Compliance Advisor nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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 Company has complied with the code provisions in the Corporate Governance Code (the "Code") contained in Appendix 15 of the GEM Listing Rules for the Reporting Period except for the deviation below:

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

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 during the Reporting Period.

DIVIDEND

The Board does not recommend payment of interim dividend to shareholders of the Company for the six months ended 30 June 2015 (2014: nil).

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 2 August 2014 ("the Scheme"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share option has been granted since the adoption of the Scheme and there were no share option outstanding as at 30 June 2015.

AUDIT COMMITTEE

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

The audit committee has reviewed this report and the unaudited consolidated financial statements of the Group for the Reporting Period.

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

Hong Kong, 10 August 2015

As at the date of this report, the executive Directors are Mr. Pei Wing Fu and Ms. Pei Wing Sze Clare; the non-executive Director is Mr. Zheng Si Rong; and the independent non-executive Directors are Mr. Law Yiu Sing, Prof. Lam Sing Kwong Simon and Ms. Wong Wai Ling.