

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 2016

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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.

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HIGHLIGHTS

For the six months ended 30 June 2016, the operating results of the Group were as follows:

- Revenue amounted to approximately HK\$65.4 million (six months ended 30 June 2015: approximately HK\$43.8 million), representing an increase of approximately 49.3% as compared with the corresponding period of last year.
- The loss attributable to the owners of the Company was approximately HK\$21.2 million, as compared with the profit attributable to the owners of the Company of approximately HK\$5.4 million for the corresponding period of last year.
- Basic and diluted loss per share based on weighted average number of ordinary shares was approximately HK\$3.27 cents (six months ended 30 June 2015: basic and diluted earnings per share of approximately HK\$0.87 cents).
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

INTERIM RESULTS

The board (“Board”) of Directors is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2016 (the “Reporting Period”), together with the unaudited comparative figures for the corresponding period in 2015, as follows:–

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

	<i>Notes</i>	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	4	37,718	25,946	65,359	43,849
Cost of sales		(29,450)	(14,793)	(51,804)	(28,897)
Gross profit		8,268	11,153	13,555	14,952
Other income and net gains		220	47	552	249
Administrative and other operating expenses		(23,182)	(3,954)	(33,233)	(8,244)
Operating (loss)/profit	7	(14,694)	7,246	(19,126)	6,957
Finance costs		(496)	(34)	(992)	(59)
(Loss)/Profit before income tax		(15,190)	7,212	(20,118)	6,898
Income tax expenses	8	(822)	(1,367)	(1,091)	(1,505)
(Loss)/Profit and total comprehensive (loss)/income for the period attributable to owners of the Company		(16,012)	5,845	(21,209)	5,393
		HK cents	HK cents	HK cents	HK cents
Basic and diluted (loss)/earnings per share	10	(2.37)	0.94	(3.27)	0.87

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

		30 June 2016	31 December 2015
	<i>Notes</i>	HK\$'000	HK\$'000
		Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment		10,824	14,167
Current assets			
Inventories		671	1,272
Trade and other receivables	<i>11</i>	112,342	35,816
Financial assets at fair value through profit or loss		30,275	–
Cash and cash equivalents		46,200	95,528
		189,488	132,616
Total assets		200,312	146,783
EQUITY			
Capital and reserves			
Share capital	<i>13</i>	7,100	6,200
Share premium	<i>13</i>	97,925	34,025
Other reserves		27,405	41,368
Total equity		132,430	81,593
LIABILITIES			
Non-current liabilities			
Deferred taxation		1,431	1,431
		1,431	1,431
Current liabilities			
Trade and other payables	<i>12</i>	15,114	7,101
Loan from a director		50,000	55,000
Borrowings		–	730
Tax payable		1,337	928
		66,451	63,759
Total liabilities		67,882	65,190
Total equity and liabilities		200,312	146,783

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2016

	Attributable to owners of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 1 January 2016	6,200	34,025	–	15,800	25,568	81,593
Loss and total comprehensive loss for the period	–	–	–	–	(21,209)	(21,209)
Issue of new shares	900	63,900	–	–	–	64,800
Share option scheme:						
– value of employee services	–	–	6,944	–	–	6,944
– value of consultancy services	–	–	302	–	–	302
Balance at 30 June 2016 (unaudited)	7,100	97,925	7,246	15,800	4,359	132,430
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended	
	30 June	
	2016	2015
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operating activities	(107,722)	1,269
Net cash outflow from investing activities	(676)	(1,288)
Net cash inflow/(outflow) from financing activities	59,070	(1,223)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(49,328)	(1,242)
Cash and cash equivalents at 1 January	95,528	40,996
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<u>46,200</u>	<u>39,754</u>
	<hr/>	<hr/>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<u>46,200</u>	<u>39,754</u>
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Glory Flame Holdings Limited was incorporated in the Cayman Islands on 25 April 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 15 August 2014.

The address of the Company’s registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KYI-108, Cayman Islands. The address of the Company’s principal place of business in Hong Kong is Room 1603, 16/F, China Building, 29 Queen’s Road Central, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (collectively referred as to the “Group”) are engaged in the provision of concrete demolition services in Hong Kong as a subcontractor and trading of light emitting diode (“LED”) light sources for decoration.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2016 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 2016 are consistent with those adopted in the annual financial statements of the Company for the year ended 31 December 2015. Amendments to HKFRSs effective for the accounting period beginning on or after 1 January 2016 do not have a material impact on the Group.

The financial statements for the six months ended 30 June 2016 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 2016 are presented in Hong Kong dollars (“HK\$”), which is the same functional currency of the Company.

3. ESTIMATES

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

In preparing this condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

4. REVENUE

Revenue, which is also the Group's turnover, represents receipts from provision of concrete demolition services and trading of LED light sources for decoration in the ordinary course of business. Revenue recognised during the Reporting Period are as follows:

	Six months ended	
	30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Turnover		
Provision of concrete demolition services	46,284	43,849
Trading of LED light sources for decoration	19,075	–
	<hr/>	<hr/>
	65,359	43,849
	<hr/> <hr/>	<hr/> <hr/>

5. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the executive directors for the purposes of resources allocation and performance assessment. For the six months ended 30 June 2016, the Group had two reportable operating segments as follows:

Construction related services	–	provision of concrete demolition services
LED products	–	trading of LED light sources for decoration

The following is an analysis of the Group's revenue and results by reportable operating segments for the six months ended 30 June 2016:

	Construction related services		LED products		Consolidation	
	Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	46,284	43,849	19,075	–	65,359	43,849
Inter-segment sales	–	–	–	–	–	–
Total	46,284	43,849	19,075	–	65,359	43,849
Segment results	6,615	9,124	(2,088)	–	4,527	9,124
Corporate expenses, net					(8,610)	(2,226)
Fair value change in financial assets at fair value through profit or loss					(8,789)	–
Share option expense					(7,246)	–
(Loss)/Profit before income tax					<u>(20,118)</u>	<u>6,898</u>

6. FINANCIAL RISK MANAGEMENT

6.1 Financial risk factors

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

The interim condensed consolidation financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

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

6.2 Liquidity risk

There was no material change in the contractual undiscounted cash outflows for financial liabilities as compared to the year ended 31 December 2015.

6.3 Fair value estimation

The different levels of fair value estimation have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The financial assets at fair value through profit or loss are equity securities that are traded in an active market. Closing share prices are readily available from active market and are used as being representative of fair values. As at 30 June 2016, the Group held the financial assets at fair value through profit or loss of HK\$30,275,000 which were classified as level 1 for the purpose of measuring fair value.

There was no transfer between any levels during the period.

7. OPERATING (LOSS)/PROFIT

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

	Six months ended	
	30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fair value change in financial asset at fair value		
through profit or loss	8,789	–
Share option expenses	7,246	–
Staff cost, including directors' remuneration	13,101	10,239
Depreciation of property, plant and equipment	4,020	3,253
Gain on disposal of property, plant and equipment	–	67
	<u> </u>	<u> </u>

8. INCOME TAX EXPENSE

	Six months ended	
	30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong profits tax	<u>1,091</u>	<u>1,505</u>

Hong Kong profits tax has been provided at a rate of 16.5% (2015: 16.5%) on the estimated assessable profit of the Group arising in or derived from Hong Kong for the period as stated above.

9. INTERIM DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2016.

10. (LOSS)/EARNINGS PER SHARE

(a) Basic

The calculations of basic (loss)/earnings per share for the six months ended 30 June 2016 are based on the followings:

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
(Loss)/Earnings:				
(Loss)/Earnings for the period attributable to the Company (HK\$'000)	(16,012)	5,845	(21,209)	5,393
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	675,385	620,000	647,692	620,000

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

(b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all the Company's outstanding share option. For the period ended 30 June 2016, dilutive (loss)/earnings per share equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive. The share options had anti-dilutive effects as the exercise price was above the weighted average market price of the Company's shares.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Trade receivables	51,546	29,559
Less: allowance for impairment of trade receivables	<u>(90)</u>	<u>(176)</u>
Trade receivables, net	51,456	29,383
Retention receivables	4,109	5,361
Less: allowance for impairment of retention receivables	<u>(89)</u>	<u>(92)</u>
Retention receivables, net	4,020	5,269
Trade deposit	41,333	–
Prepayment for product development cost	12,057	–
Other receivables, deposits and prepayments	<u>3,476</u>	<u>1,164</u>
	<u>112,342</u>	<u>35,816</u>

Notes:

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

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

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
0-30 days	14,485	7,693
31-60 days	8,109	6,767
61-90 days	9,613	3,721
91 – 365 days	16,746	8,759
Over 365 days	<u>2,503</u>	<u>2,443</u>
	<u>51,456</u>	<u>29,383</u>

12. TRADE AND OTHER PAYABLES

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Trade payables	11,414	4,680
Accruals and other payables	3,700	2,421
	<u>15,114</u>	<u>7,101</u>

Notes:

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

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

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
0-30 days	4,108	2,380
31-60 days	2,057	114
61-90 days	2,935	–
Over 90	2,314	2,186
	<u>11,414</u>	<u>4,680</u>

13. SHARE CAPITAL AND PREMIUM

Ordinary shares of HK\$0.01 each:

Authorised:	Number of ordinary shares	Amount HK\$'000
Ordinary shares at 31 December 2015 and 30 June 2016	2,000,000,000	20,000
Issued and fully paid:	Number of ordinary shares	Share Premium HK\$'000
Ordinary shares at 31 December 2015	620,000,000	34,025
Issue of new shares (Note a)	90,000,000	63,900
Ordinary shares at 30 June 2016	<u>710,000,000</u>	<u>97,925</u>

Note:

- (a) On 5 May 2016, the Company issued 90,000,000 shares pursuant to the Placing Agreement dated 8 April 2016.

14. CAPITAL EXPENDITURE

During the six months ended 30 June 2016, the Group acquired certain property, plant and equipment at a cost of HK\$679,000 (six months ended 30 June 2015: HK\$3,758,000).

15. 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 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Contracted but not provided for:		
Property, plant and equipment	1,130	–

(b) Operating lease commitments

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

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
No later than one year	3,599	559
Later than one year and no later than five years	1,586	200
	5,185	759

16. EVENT AFTER THE BALANCE SHEET DATE

On 20 July 2016, Time Chance Investments Limited (“Time Chance”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Li Qiang (the “Sale and Purchase Agreement”), pursuant to which Time Chance acquired 51% of the entire issued share capital of Hongkong Xincheng Hi-Tech Co., Limited (“Hongkong Xincheng”) at the consideration of HK\$5,100. Hongkong Xincheng will engage in the trading of screens for mobile phones and has been considering trading of products related to the upper and lower streams of the electronic industry, such as Touch IC, Fingerprint Sensor and Identifier IC, Glass Substrate, Indium Tin Oxide Transparent Conductive Film, Conductive Adhesive, Foam Tape, Heat Sink. Such operation is expected to be funded by the internal resources of the Group. As at the date of the Sale and Purchase Agreement, Hongkong Xincheng has not commenced business operation. For details, please refer to the announcement of the Company dated 20 July 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue and Gross Profit

The Group has two main businesses: (i) provision of concrete demolition services (“Construction Related Services”); and (ii) trading of LED light sources for decoration (“LED Products”).

Construction Related Services

Revenue attributable to the Construction Related Services was approximately HK\$46,284,000 for the Reporting Period, representing an increase of approximately 5.6% as compared with approximately HK\$43,849,000 for the six months ended 30 June 2015 (the “HY15”). The increase was mainly attributable to the growth of the concrete demolition business that was contributed by the increase in the amount of jobs undertaken by the Group during the Reporting Period.

Gross profit attributable to the Construction Related Services amounted to approximately HK\$12,994,000 for the Reporting Period, representing a decrease of approximately 13.1% as compared with approximately HK\$14,952,000 for the HY15. Gross profit margin decreased by 6 percentage points from 34.1% for HY15 to 28.1% for the Reporting Period. The decrease was mainly attributable to an increase in the subcontracting cost resulting from the higher rate charged by certain subcontractors and the percentage increase in subcontracting cost is larger than the increase in revenue for the Reporting Period as a result of the keen competition in the industry.

LED Products

Revenue attributable to LED Products was approximately HK\$19,075,000 for the Reporting Period. The Group commenced the trading of LED light sources for decoration in January 2016.

Gross profit attributable to the LED Products amounted to approximately HK\$562,000 for the Reporting Period. Gross profit margin was approximately 2.9% for the Reporting Period.

Administrative and Other Operating Expenses

The Group’s administrative and other operating expenses amounted to approximately HK\$33,233,000 for the Reporting Period, representing an increase of approximately 303.1% as compared with approximately HK\$8,244,000 for HY15. The increase was mainly due to (i) the share option expenses of approximately HK\$7,246,000 related to the grant of share options during the Reporting Period and the fact that no share options was granted and the absence of share options expenses during HY15; (ii) the fair value loss of HK\$8,789,000 in financial asset at fair value through profit or loss; and (iii) the increase in the operating expenses arising from the new business of LED Products, including staff cost (including directors’ remuneration), rental expenses and other professional fees.

Loss Attributable to Owners of the Company

The loss attributable to owners of the Company was approximately HK\$21,209,000 for the Reporting Period, as compared with the profit of HK\$5,393,000 attributable to owners of the Company for HY15 as a result of the combined effect of (i) an increase in the subcontracting cost and administrative expenses, resulting in a decrease in the profitability of the Group, as discussed above; (ii) the share option expense incurred during the Reporting Period and (iii) the fair value loss in financial asset at fair value through profit or loss for the Reporting Period.

Liquidity, Financial Resources, and Capital Structure

As at 30 June 2016, the Group's current assets amounted to approximately HK\$189.5 million, of which approximately HK\$46.2 million was cash and bank balances, and approximately HK\$112.3 million were trade and other receivables. Current liabilities was approximately HK\$66.5 million, of which approximately HK\$15.1 million were trade and other payables. Net current assets were approximately HK\$123.0 million as at 30 June 2016.

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Current assets		
Trade and other receivables	112,342	35,816
Cash and cash equivalents	46,200	95,528
Current liabilities		
Trade and other payables	15,114	7,101
Borrowings	–	730
Net current assets	123,037	68,857

The gearing ratio of the Group as at 30 June 2016 (defined as total borrowings including interest bearing and non-interest bearing, divided by the Group's total equity) was approximately 0.4 as compared to approximately 0.7 as of 31 December 2015.

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 HK\$. 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

As at 30 June 2016, the total borrowings of the Group amounted to approximately HK\$50.0 million (31 December 2015: approximately HK\$55.7 million). The decrease was mainly due to the repayment of loan from a director. The annual interest rates of the loan from a director and the finance lease were 5% and 4% respectively (HY15: finance lease: 3.5% to 4.75%) per annum. All of the borrowings was accounted for as current liabilities of the Group. The borrowings repayable within one year amounted to approximately HK\$50.0 million. All of the above borrowings were denominated in HK\$.

Employee and Remuneration Policies

As at 30 June 2016, the Group employed 73 staff. Total employee costs (including directors' emoluments) for the Reporting Period amounted to approximately HK\$13.1 million (HY15: approximately HK\$10.2 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

Save as disclosed in note 15 of this condensed consolidated financial statements, the Group did not have material capital commitments and contingent liabilities as at 30 June 2016.

Events after the balance sheet date

On 20 July 2016, Time Chance Investments Limited ("Time Chance"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Li Qiang (the "Sale and Purchase Agreement"), pursuant to which Time Chance acquired 51% of the entire issued share capital of Hongkong Xincheng Hi-Tech Co., Limited ("Hongkong Xincheng") from Mr. Li Qiang at the consideration of HK\$5,100. Hongkong Xincheng will engage in the trading of screens for mobile phones and has been considering trading of products related to the upper and lower streams of the electronic industry, such as Touch IC, Fingerprint Sensor and Identifier IC, Glass Substrate, Indium Tin Oxide Transparent Conductive Film, Conductive Adhesive, Foam Tape, Heat Sink. Such operation is expected to be funded by the internal resources of the Group. As at the date of the Sale and Purchase Agreement, Hongkong Xincheng has not commenced business operation. For details, please refer to the announcement of the Company dated 20 July 2016.

Business Review and Outlook

The Group's concrete demolition services are mainly concerned with the removal of pieces or sections of concrete from concrete structures by applying a variety of methods, such as core drilling, sawing, bursting and crushing, etc.

Concrete demolition industry is one of the specific areas of the construction industry in Hong Kong, which mainly involves core drilling, sawing, bursting and crushing, and surface preparation. Concrete demolition services are usually functions performed by subcontractors in (i) general building works, especially for alteration and redevelopment projects; and (ii) civil engineering works. Concrete demolition work can be applied in various situations, such as the construction of underground utilities, creation of openings for elevator, door, window installation, redevelopment of buildings, roads, tunnels and underground facilities, removal of concrete during building construction, and the preparation of road surfaces.

During the Reporting Period, the construction industry in Hong Kong was confronted with both positive and negative factors. On the one hand, the construction industry in general continued to grow primarily due to the “Ten Major Infrastructure Projects” announced by the government of Hong Kong. Also, there was a rising number of alteration and redevelopment projects for industrial and commercial buildings in Hong Kong, all of which contributed to a higher demand for concrete demolition services and presented opportunities for the concrete demolition business for our Group. However, on the other hand, construction contractors in Hong Kong faced tough operating environment resulting from increasing costs of operation including, in particular, labour cost and cost of raw materials and consumables. Competition for sizeable and profitable jobs in certain areas of the construction industry, including the concrete demolition sector, remained keen.

TRADING OF LED LIGHT SOURCES FOR DECORATION

The business of trading of LED light sources for decoration was commenced in January 2016 through a wholly-owned subsidiary in Hong Kong. The principal activity of the subsidiary is to deliver finished goods to importers in the United States. For the Reporting Period, the sales from the business of trading of LED light sources for decoration amounted to approximately HK\$19,075,000 which accounted for approximately 29.2% of the total turnover of the Group.

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

In order to broaden our source of income and expand the business operations of the Group, the Directors believe that it is beneficial for the Group to diversify its business into the trading of LED light sources for decoration.

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 2016, 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
Mr. Pei Wing Fu ("Mr. Pei") (Note 1)	Interest in controlled corporation	64,004,000	9.01%
Ms. Pei Wing Sze Clare (Note 2)	Interest in controlled corporation	19,461,000	2.74%
Ms. Che Xiaoyan (Note 3)	Beneficial owner	6,200,000	0.87%
Mr. Liu Ping (Note 4)	Beneficial owner	620,000	0.09%
Mr. Liu Zhongping (Note 5)	Beneficial owner	6,200,000	0.87%

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 a 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 a director of Talent Great.

3. These 6,200,000 underlying Shares represent the 6,200,000 Shares which may be allotted and issued to Ms. Che Xiaoyan upon full exercise of the share options granted to her under the share option scheme adopted by the Company on 2 August 2014 (the "Share Option Scheme").
4. These 620,000 underlying Shares represent the 620,000 Shares which may be allotted and issued to Mr. Liu Ping upon full exercise of the share options granted to him under the Share Option Scheme.
5. These 6,200,000 underlying Shares represent the 6,200,000 Shares which may be allotted and issued to Mr. Liu Zhongping upon full exercise of the share options granted to him under the Share Option Scheme.

(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%

- (iii)** As at 30 June 2016, none of the Directors or chief executive nor their associates had any short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations.

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

Save as disclosed below, as at 30 June 2016 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	64,004,000	Long	9.01%
Power Key	Beneficial owner	64,004,000	Long	9.01%
Mr. Zhou Chuxiong	Beneficial owner	40,000,000	Long	5.63%

Note:

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%.

COMPETING INTERESTS

Having made specific enquiry of all Directors and the controlling shareholders of the Company, all of them have confirmed that neither themselves nor their respective close associates (as defined in the GEM Listing Rules) had held any position or had interest in any businesses or companies that were or might be competing with the business of the Group, or gave rise to any concern regarding conflict of interests during the Reporting Period.

INTEREST OF COMPLIANCE ADVISOR

As at 30 June 2016, as notified by the Company's compliance advisor, Dakin Capital Limited (the "Compliance Advisor"), except for the compliance advisor agreement entered into between the Company and the Compliance Advisor dated 29 January 2016, 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 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. Mr. Pei Wing Fu ("Mr. Pei") has been managing the Group's business and overall strategic planning since May 1991. The 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 the Group and will provide a strong and consistent leadership to the Group. Accordingly, the Company has not segregated the roles of its chairman and chief executive officer as suggested by code provision A.2.1 of the Code. 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 Reporting 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 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 Reporting Period (2015: 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.

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

On 14 June 2016, 19,220,000 share options to subscribe for up to a total of 19,220,000 ordinary shares of HK\$0.01 each of the Company were granted to certain employees and directors of the Company under the Share Option Scheme. The exercise price is HK\$0.83 per share, which is equal to the average closing price of the Share on the five trading days immediately preceding the date of grant. The closing price of the shares on the date of grant of share options was HK\$0.8 per share. The share options may be exercised within the period from 15 June 2016 to 14 June 2026. No option was exercised or forfeited from the date of grant to 30 June 2016.

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

Name of Director	Date of grant	Number of share option			Exercise period	Exercise price per share
		Outstanding at 1 January 2016	Granted during the Reporting Period	Outstanding at 30 June 2016		
<i>Executive Directors</i>						
Ms. Che Xiaoyan	14 June 2016	–	6,200,000	6,200,000	15 June 2016 to 14 June 2026	HK\$0.83
Mr. Liu Zhong Ping	14 June 2016	–	6,200,000	6,200,000	15 June 2016 to 14 June 2026	HK\$0.83
<i>Independent non-executive Director</i>						
Mr. Liu Ping	14 June 2016	–	620,000	620,000	15 June 2016 to 14 June 2026	HK\$0.83
		–	13,020,000	13,020,000		

b) Share options granted to a consultant

During the Reporting Period, the Group has engaged a consultant to assist in research and exploration of property construction related business opportunities in the People's Republic of China.

On 14 June 2016, the Company granted 6,200,000 share options of the Company under the Share Option Scheme to the consultant as service fee.

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

Date of grant	Exercise period	Exercise price per share (HK\$)	Number of options		Outstanding at 30 June 2016	Vesting conditions
			Outstanding at 1 January 2016	Granted during the Reporting Period		
14 June 2016	14 September 2016 – 13 June 2026	0.83	–	6,200,000	6,200,000	3-month vesting period

The closing price of the shares of the Company on the date of grant of share options was HK\$0.8 per share. No option was exercised or forfeited from the date of grant to 30 June 2016.

c) Fair values of share options and assumptions

During the Reporting Period, a total of share option expense of HK\$7,246,000 was recognized in the income statement in relation to share options granted by the Company. Details of share-based payment by nature are as follows:

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Share option expenses for employee and directors of the Company	6,944	–
Share option expenses for consultancy services (<i>note</i>)	302	–
	<u>7,246</u>	<u>–</u>

Note: The fair value of consultancy services is estimated by reference to the fair value of the share options granted.

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

	Employees and directors	Consultant
Date of grant	14 June 2016	14 June 2016
Number of share options granted	19,220,000	6,200,000
Underlying stock price	HK\$0.80	HK\$0.80
Strike price	HK\$0.83	HK\$0.83
Expected volatility	52.21%	52.21%
Exercise multiple	1.60-2.47	1.60
Risk-free rate	1.082%	1.082%
Annualised dividend yield	0.00%	0.00%

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

CHANGE IN DIRECTORS

On 22 January 2016, Mr. Law Yiu Sing has resigned as an independent non-executive Director and Ms. Che Xiaoyan has been appointed as an executive Director and the vice chairman of the Board. Mr. Chong Yu Keung has been appointed as an executive Director with effect from 1 February 2016.

On 22 March 2016, each of Ms. Wong Wai Ling and Prof. Lam Sing Kwong Simon has resigned as an independent non-executive Director.

Mr. Chong Yu Keung, Ms. Lee Suk Fong and Mr. Tsang Wai Wa has ceased to be an executive Director, an independent non-executive Director and an independent non-executive Director, respectively, with effect from the conclusion of the annual general meeting of the Company held on 20 May 2016.

On 27 May 2016, each of Mr. Chan Kam Wah and Mr. Bai Honghai has been appointed as an independent non-executive Director.

AUDIT COMMITTEE

The Company has established an audit committee on 2 August 2014 (the “Audit Committee”) with its written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Code. The primary duties of the Audit Committee are to review and supervise the Group’s financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. The Audit Committee consists of three members, namely Mr. Liu Ping, Mr. Chan Kam Wah and Mr. Bai Honghai. Mr. Chan Kam Wah 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, 5 August 2016

As at the date of this report, the executive Directors are Mr. Pei Wing Fu, Ms. Pei Wing Sze Clare, Ms. Che Xiaoyan and Mr. Liu Zhong Ping; the non-executive Director is Mr. Zheng Si Rong; and the independent non-executive Directors are Mr. Liu Ping, Mr. Chan Kam Wah and Mr. Bai Honghai.