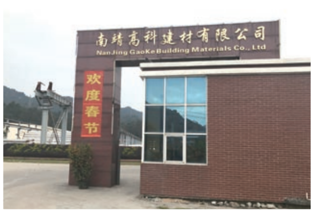
Glory Flame Holdings Limited
朝威控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8059





Annual Report **2016**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Che Xiaoyan *(Chairman)*
Mr. Li Shunmin *(Vice Chairman)*
Mr. Liu Zhong Ping
Mr. Man Wai Lun
Ms. Jiao Fei
Ms. Yang Nina
Mr. Guan Jincheng

Non-executive Directors

Mr. Zheng Si Rong
Mr. Wong Tik Tung
Ms. Wu Chunping

Independent Non-executive Directors

Mr. Chan Kam Wah
Mr. Bai Honghai
Mr. Li An Sheng
Mr. Shen Xingxing

AUDIT COMMITTEE

Mr. Chan Kam Wah *(Chairman)*
Mr. Li An Sheng
Mr. Shen Xingxing

REMUNERATION COMMITTEE

Mr. Li An Sheng *(Chairman)*
Mr. Guan Jincheng
Mr. Shen Xingxing

NOMINATION COMMITTEE

Ms. Che Xiaoyan *(Chairman)*
Mr. Li An Sheng
Mr. Shen Xingxing

COMPANY SECRETARY

Mr. Cheung Wai Kee

COMPLIANCE OFFICER

Mr. Man Wai Lun

AUTHORISED REPRESENTATIVES

Ms. Che Xiaoyan
Mr. Cheung Wai Kee

REGISTERED OFFICE

Clifton House
PO Box 1350
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, COFCO Tower
262 Gloucester Road
Causeway Bay
Hong Kong

HONG KONG LEGAL ADVISERS

Troutman Sanders
Loong & Yeung

COMPLIANCE ADVISER

Dakin Capital Limited

AUDITORS

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Limited

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Bank of Communications Limited
Nanyang Commercial Bank Limited
Hang Seng Bank Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited

STOCK CODE

8059

COMPANY'S WEBSITE

www.gf-holdings.com

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**"), I am honoured to present the annual report of the consolidated results of Glory Flame Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2016 (the "**FY16**" or the "**Reporting Period**") to all shareholders of the Company (the "**Shareholders**").

2016 was a difficult year for us. With increasing and administrative and operating costs, the Group was under great pressure and encountered a lot of challenges. To alleviate the pressure and overcome the challenges, the management constantly explored opportunities to tap into new markets and expand its business with a view to boarder income stream.

The management believes that in such a fast-changing business environment, there is an imperative need to reform for advancement of the Group.

BUSINESS REVIEW AND PROSPECT

Construction related business

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 Policy Address announced by the government of Hong Kong (the "**Government**"). According to 2016 Policy Address, the Government will optimize the use of built-up land and its surrounding areas through land use rezoning and increasing development density in the short term. In the medium term, the Government will make vigorous efforts to build up new development areas and extend new towns. Besides, the Government is considering reclamation outside the Victoria Harbour, cavern and underground space development and exploring potential development areas in New Territories North, Lantau and the central waters. These development plans would continue to contribute a higher demand for concrete demolition services and presented opportunities for the concrete demolition business for our Group. However, on the other hand, due to the impacts of filibusters on Government's implementation of policies, some of the new construction projects are still pending for approval. Besides, 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.

Nowadays environment protection arouses increasing global attention and people are more concerned with a good living environment. Every industry should avoid disturbance to environment by its activities. Being one of the companies in the demolition industry, we realize our responsibility to exert increasing effort in ensuring this issue and thus will result in increasing operation costs, which will include but not limit to labour cost, particularly skilled labour, cost of raw materials and equip advanced technology or machinery.

To face the everchanging construction new concepts and environment, the Company target to extend its business to China and Macau, increase its revenue and service base. The Company formulate a plan to use of specially designed machineries equipped with suitable technologies for demolition and reconstruction works, which is more economical and time saving if compared with traditional method, as well as achieving the goal of environmental protection.

In September 2016, the Company purchased 51% equity interest of Nanjing Gao Ke Building Materials Co., Ltd* (南靖高科建材有限公司) (the "**WFOE**") at a consideration of HK$66,000,200 and completion of the above acquisition took place in November 2016. The WFOE is a wholly foreign-owned enterprise established in Zhangzhou, The People's Republic of China (the "**PRC**"). Its business scope includes manufacture of prestressed high strength concrete piles. Prestressed concrete pile is one of the major types of foundation products used in the building and construction industry. As 2016 marked the commencement of the Thirteenth "Five-Year Plan" period in the PRC, a new growth momentum is under way, and investment in infrastructure projects is expected to keep on growing more rapidly in the PRC. According to the 2016 Report on the Work of the Government of Zhangzhou (漳州市2016年市政府工作報告), the government of Zhangzhou would increase the investment in infrastructure projects in Zhangzhou. It is expected that the market demand of prestressed concrete piles will definitely increase further. Taken into account the rising demand of prestressed concrete piles in Zhangzhou and other cities in the PRC, the Board is of the view that the acquisition is an opportunity for the Group to tap into the building industry in the PRC and broaden its customer base. Such move is in line with the proactive strategy of the management of the Group to explore new business opportunities to boarder the income stream.

In December 2016, in view of the Group's well-established business in the concrete demolition industry in Hong Kong, the Group entered into a memorandum of understanding (the "**MOU**") with 武漢市漢金堂投資有限公司 (Wuhan City Han Jin Tang Investment Company Limited*) (the "**Contractor**"), pursuant to which the Company and the Contractor intend to cooperate to undertake a housing demolition and replacement project in Wuhan, the PRC. The Company shall be responsible for formulating and implementing the housing demolition and replacement proposal for the local residents, handling the deregistration of land use right certificates and housing ownership certificates, clearing the wastes from housing demolition and obtaining the approval certificate from the relevant governmental authority upon completion of the project. The project is the first initiative taken by the Group to expand its well-established business into the PRC. The Board will continue to adopt proactive measures to identify business opportunities in the PRC.

LED Products

With its core business in the building industry, the Board considers there is a huge room for development in environmental ancillary products related to building industry for the Group, which is also the general trend in building industry around the world. The Group started a new business of trading of LED light sources for decoration 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. The LED market has reached maturity as nowadays energy saving is of paramount importance to all governments 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 enjoy continuous growth in the coming years. LED light source is considered to be environmentally friendly because of its comparative advantage over conventional light sources in terms of energy saving efficiency and product durability, and the number of customers using LED light sources is increasing steadily. The Group expects that LED light sources would eventually replace conventional light sources in the 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 expand its business into the trading of LED light sources for decoration.

* *for identification purpose only*

CHAIRMAN'S STATEMENT (continued)

The Group has tapped into the green market in the first half of the year through the trading of LED light sources for decoration. In mid-2016, the Group invested directly in the research and development of its own Ecological LED Cultivation Cabinet System and successfully produced the first prototype of the system. Thanks to the concerted effort made by the team, the Group successfully secured an agency contract for the cultivation shelves and equipment from a plant factory in December 2016. The management believes that it is more cost effective to engage agents in its operation. Our agents will set up real objects for demonstration in various shopping malls which serves not only as an important distribution channel, but also establishes the image of the Group and its brand, enabling customers to build up recognition of the Group. "Flexibility" also applies to every form of business opportunities. Recently, the trend of online sales and increasing demand for smart accessories have derived new demand for online sales management software. The Group has started to formulate a conditional agreement to acquire or cooperate with a company principally engaged in research and development as well as sales of software application. We strongly believe that "flexibility" will help us grasp opportunities in the future.

At present, the Group is no doubt striving for progress amidst hardship in a proactively way. Despite the difficulties, the management can tackle the challenges with an open mind and flexible attitude, and with the concerted effort made by the team, we believe we can sail through all the pressure and challenges and achieve success in the foreseeable future.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the employees of the Group for their continued effort and commitment as they focus on executing the Company's strategy and putting our values into action for the benefit of our customers and stakeholders. I am also thankful for all the business partners for their continued support. Last but not the least; I would also like to express my heartfelt thanks to all Shareholders for their trust and confidence in us. Let's work together for the bright future of the Group.

Che Xiaoyan
Chairperson

Hong Kong, 24 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The principal activity of the Company is investment holding. For the Reporting Period, the Group mainly engages in (i) the provision of concrete demolition services, and manufacturing and trading of prestressed high strength concrete piles (the "**Construction Related Business**") and (ii) trading of LED light sources for decoration and the Ecological LED Cultivation Cabinet System (the "**LED Products**").

(i) Construction Related Business

(a) Concrete demolition services

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, and window installation, redevelopment of buildings, roads, tunnels and underground facilities, removal of concrete during building construction, and the preparation of road surfaces.

(b) Prestressed high strength concrete piles

Prestressed concrete pile is one of the major types of foundation products used in the building and construction industry. It is typically used as part of foundation for building and infrastructure projects that are built on an unstable or soft layer of land that requires long and deep foundations in order to reach the underlying stable rock layer. Prestressed concrete piles support the building and infrastructure structures by transferring the heavy loads and forces exerted by such structures onto the underlying stable rock layer.

The Group was engaging in the trading of the prestressed concrete piles in order to fulfil the outstanding sales orders of Zhangzhou Tapai Concrete Components Company Limited (漳州塔牌混凝土構件有限公司) that is as part of conditions of the business transfer agreement dated 10 October 2016. As at 31 December 2016, the Group has not commenced the manufacturing of prestressed concrete piles.

(ii) LED Products

(a) 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 of the Company in Hong Kong. The principal activity of the subsidiary is to deliver finished goods to an importer in the United States.

LED market has reach 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. 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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.

(b) Ecological LED Cultivation Cabinet System

In mid-2016, the Group invested directly in the research and development of its own Ecological LED Cultivation Cabinet System and successfully produced the first prototype of the system. The Group intends to market and promote the LED Cultivation Cabinet in China through distributors who have already established good relationships with an existing customer base of resellers and retailers. In December 2016, the Company has commenced the trading of Ecological LED Cultivation Cabinet in China and it contributed revenue of approximately HK$0.6 million to the Group.

FINANCIAL REVIEW

Revenue

Revenue increased by approximately HK$38.7 million or 42.9% from approximately HK$90.3 million for the year ended 31 December 2015 (the "**FY15**") to approximately HK$129.0 million for the Reporting Period. The analysis of revenue was shown as follows:

Revenue by nature

	FY16 **HK$'000**	FY15 HK$'000
Concrete demolition services	**87,660**	90,260
Prestressed concrete pile	**9,586**	-
LED light sources for decoration	**31,074**	-
LED Cultivation Cabinet	**644**	-
	128,964	90,260

Concrete demolition services

For the Reporting Period, the revenue attributable to the provision for concrete demolition services was approximately HK$87.7 million, representing a decrease of approximately 2.9% as compared with approximately HK$90.3 million of FY15. The decrease was attributable to the increasing price competition in certain concrete demolition jobs and a decrease in the amount of jobs undertaken by the Group during the Reporting Period.

Prestressed concrete pile

For the Reporting Period, the revenue attributable to the prestressed concrete pile was approximately HK$9.6 million. The revenue was generated by trading of the prestressed concrete piles for the outstanding sales orders of Zhangzhou Tapai Concrete Components Company Limited (漳州塔牌混凝土構件有限公司), which is a part of conditions of the business transfer agreement dated 10 October 2016. During the year ended 31 December 2016, there are no revenue generated for manufacturing of prestressed concrete pile as the acquisition of plant and machinery has not yet been completed.

LED light sources for decoration

For the Reporting Period, the revenue attributable to LED light sources for decoration was approximately HK$31.1 million. The Group commenced the trading of LED light sources for decoration in January 2016.

During the Reporting Period, the Group mainly counted on one key customer to generate revenue from the LED light sources for decoration. However, due to the customer's unsatisfactory payment record during the first half year, the Group withheld certain supply of goods to the customer, resulting in a significant decrease in sales during the second half year in 2016. In the fourth quarter in 2016, the Group suspended the delivery of finished goods to the customer. As a result, the Group recorded loss of approximately HK$44.0 million in this segment mainly due to provision for impairment loss of trade receivables and trade deposits.

The Group was undergoing the negotiation of the payment schedule and started to receive the payment for the certain past due invoices in March 2017. The Group expected the sales of LED light sources for the decoration to the customer will be resumed in the second quarter of 2017. In addition, in order to mitigate the risk of the concentration of customer base, the Group was striving to broaden our customer base and achieve the healthy growth in the business of LED light sources for decoration.

LED Cultivation Cabinet

For the Reporting Period, the revenue attributable to LED Cultivation Cabinet was approximately HK$0.6 million. The Group currently markets the LED Cultivation Cabinet through a regional distributor in one region of the PRC. The Group was negotiating the distributors in the other regions of the PRC and expected to market and promote the LED Cultivation cabinet throughtout the PRC.

Gross Profit and Gross Profit Margin

Our Group's gross profit decreased from approximately HK$30.6 million in FY15 to approximately HK$27.5 million for the Reporting Period, representing a decrease of approximately 10.1%. Such decrease was mainly due to a decrease of approximately HK$4.3 million in gross profit attributable to the segment of concrete demolition services, resulting from an increase in subcontracting costs involved.

Administrative and Other Operating Expenses

Our Group's general and administrative expenses increased to approximately HK$41.9 million for the Reporting Period from approximately HK$17.0 million in FY15. Such increase was mainly due to (i) an increase in the operating expenses arising from the new businesses of LED Products, including staff cost (including directors remuneration), rental expenses and other professional fees; and (ii) research costs of approximately HK$2.4 million incurred in connection with the development of LED cultivation cabinet system, a new business of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Loss Attributable to Owners of the Company

Our Group's net loss for the Reporting Period was approximately HK$69.2 million (2015: net profit of approximately HK$10.6 million), mainly due to a combined effect of (i) a decrease of approximately HK$3.1 million in gross profit during the Reporting Period, (ii) an increase of approximately HK$24.9 million in administrative expenses during the Reporting Period, (iii) share-based payment of approximately HK$13.0 million was recognized during the Reporting Period, which was not incurred in the prior year; (iv) a loss of approximately HK$8.7 million on disposal of financial assets at fair value through profit or loss during the Reporting Period; and (v) an impairment loss of HK$28.2 million on trade receivables and trade deposits during the Reporting Period.

Use of Proceeds of Initial Public Offerings

The net proceeds from the placing of the shares of the Company (the "**Share(s)**") in connection with the listing (the "**Listing**") was approximately HK$ 31.2 million. During the period from 15 August 2014 (the "**Listing Date**") to 31 December 2016 (the "**Reporting Period**"), the net proceeds from the Listing were applied as follows:

	Planned use of proceeds as stated in the Prospectus during the Reporting Period HK$ million	**Actual use of proceeds during the Reporting Period** HK$ million
Enhancing machinery and equipment	16.4	7.1
Strengthening manpower	4.6	2.4
Increasing marketing efforts	1.7	1.7
Repayment of bank borrowings	5.5	5.5

The business objectives, future plans and planned use of proceeds as stated in the Company's prospectus dated 7 August 2014 (the "**Prospectus**") were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

Placing of New Shares Under General Mandate

On 8 April 2016, the Company entered into a placing agreement with CNI Securities Group Limited as the placing agent for the placing of up to 124,000,000 Shares at the placing price of HK$0.72 per placing Share (the "**Placing**"). The Company intended to use all the net proceeds as additional general working capital. The Placing was completed on 5 May 2016 and an aggregate of 90,000,000 placing Shares were allotted and issued to not less than six investors, who and their respective ultimate beneficial owners are individual investors, being third parties independent of the Company and its connected persons.

The net proceeds from the Placing of approximately HK$64.1 million, representing a net issue price of approximately HK$0.7128 per placing Share, have been utilized as to approximately HK$11.6 million as settlement of the cash consideration of acquisition of 51% of the issued share capital of Mansion Point Internation Limited and as to approximately HK$52.5 million for additional general working capital.

Sales and Marketing

One of the successful factors of the Group is our good relationship with our customers, the foundation of which has been built on mutual trust, high and consistent standard and quality of work, punctual deliverables, upheld spirit of our staff, and effective communication with customers, etc. The Group harvests these strengths and maintains active and long-term relationship with customers in the construction industry to explore future potential business opportunities. The concrete demolition jobs are usually awarded by way of quotation requested by customers in both private and public sectors. Therefore, maintaining close relationship with the customers are of paramount importance. The Group will continue to leverage its strong network in the industry and reinforce marketing efforts to secure more projects and maximise investors' return.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2016, the Group had cash and bank deposits of approximately HK$26.7 million (2015: approximately HK$95.5 million).

The gearing ratio of the Group as at 31 December 2016 (defined as total borrowings including interest bearing and non-interest bearing, divided by the Group's total equity) was approximately 0.5 (2015: approximately 0.7).

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Reporting Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Foreign Exchange Risk

The Group principally operates its businesses in Hong Kong and the PRC. The Group is exposed to foreign exchange fluctuations from various currencies, such as United States dollars and Chinese Renminbi.

Since Hong Kong dollars remains pegged to the United States dollars within a defined range, the Group is not exposed to any significant foreign exchange risk against the United States dollars. The Group has certian subsidiaries operating in mainland China, in which most of their transactions, including revenue, expenses and other financing activities, are denominated in Chinese Renminbi. The Group is not exposed to any significant foreign exchange transaction risk in relation to these currencies and had not entered into any foreign exchange contract as hedging measures against these currencies.

Material Acquisition

Details of acquisition of subsidiaries was set out in note 11 of the consolidated financial statements of the Company in this report.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Debts and Charge on Assets

As at 31 December 2016, the total borrowings of the Group amounted to approximately HK$50.0 million as compared to approximately HK$55.7 million as at 31 December 2015. The annual interest rates of the borrowings for the Reporting Period ranged from 0% to 5% (2015: 3.25% to 6.25%) per annum. All of the borrowings was accounted for as current liabilities of the Group. All of the above are denominated in Hong Kong Dollars.

As at 31 December 2015, finance lease liabilities are secured by certain fully depreciated plant and machinery of the Group.

Capital Commitments

The Group does not have material capital commitments as at 31 December 2016.

Contingent Liability

As at 31 December 2016, the Group had no contingent liabilities.

New Business Development-Involvement in Public-Private Partnership projects ("PPP projects")

As part of the Group's recent business development, the Group, through a joint venture in which the Company indirectly owns 51% equity interest, established a wholly foreign owned enterprise (the "**WFOE**") in the PRC with a registered capital of RMB5,000,000 on 26 September 2016. The WFOE intends to engage in the business of infrastructure consultancy and agency in the PRC via PPP Projects (the "**New Business**"). The Group has been liaising with various capital investment companies and prospective business partners for development of the New Business in the PRC.

Events after the Reporting Period

(i) Requisition for an Extraordinary General Meeting

The Board has received a written requisition dated 17 February 2017 from a Mr. Wu Xiongbin ("**Mr Wu**" or the "**Requisitionist**"), purportedly holding not less than one tenth of the paid up capital of the Company as at 17 February 2017 and having the right of voting at general meetings (the "**Requisition**"), requiring the Company to convene an extraordinary general meeting ("**EGM**") for the transaction of the businesses specified in the Requisition.

Such businesses include proposals: (1) to appoint five individuals as Directors; (2) to remove Ms. Che Xiaoyan, Mr. Liu Zhong Ping and Mr. Man Wai Lun, all of whom are executive Directors ; (3) to remove Mr. Chan Kam Wah and Mr. Bai Honghai, both of whom are independent non-executive Directors; and (4) to remove any additional Directors appointed by the Board from 17 February 2017 to the date of the EGM.

The EGM will be held on 13 April 2017.

Please refer to the announcements of the Company dated 20 February 2017 and dated 9 March 2017 and the Notice of Extraordinary General Meeting dated 10 March 2017 for further details.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

(ii) Proceedings by a Shareholder

The Company has received an Originating Summons issued by Mr. Wu as the plaintiff under a High Court Miscellaneous Proceedings, naming the Directors Ms. Che Xiaoyan, Mr. Man Wai Lun, Mr. Chan Kam Wah, Mr. Bai Honghai, Mr. Shen Xingxing, Ms. Yang Nina, Mr. Li An Sheng, Mr. Guan Jincheng, Ms. Wu Chunping, Mr. Li Shunmin, Ms. Jiao Fei and the Company as defendants.

Mr. Wu as plaintiff seeks a declaration that: (1) the meeting of the Board held at around 3:15 p.m. on 17 February 2017 (the "**Meeting**") is invalid; (2) all resolutions passed at the Meeting are null and void; and (3) the appointment of Mr. Shen Xingxing, Ms. Yang Nina, Mr. Li An Sheng, Mr. Guan Jincheng, Ms. Wu Chunping, Mr. Li Shunmin and Ms. Jiao Fei as additional directors of the Company during the Meeting is invalid.

The Board is seeking advice as to the appropriate course of action. Further announcement will be made as and when appropriate.

Please refer to the announcement of the Company dated 27 February 2017 for further details.

(iii) Suspension of duties of a non-executive Director

The Board, having considered the conduct of Mr. Wong Tik Tung (汪滌東) in respect of the Originating Summons issued by Mr. Wu as the plaintiff under the aforementioned High Court Miscellaneous Proceedings and sought legal advice in relation thereto, has suspended the duties of Mr. Wong as a non-executive Director with effect from 7 March 2017 on the grounds that Mr. Wong has breached his fiduciary duties and duty of confidentiality owed towards the Company.

Please refer to the announcement of the Company dated 7 March 2017 for further details.

Employee and Remuneration Policies

As at 31 December 2016, the Group employed 89 staff (2015: 76 staff). Total employee costs for the Reporting Period including directors' emoluments, amounted to approximately HK$38.2 million (FY15: approximately HK$20.4 million).

The salary and benefit levels of the employees of the Group are competitive. This is very important as the construction industry has been experiencing labour shortage in general. Individual performance of our employees is rewarded through the Group's salary and bonus system. In addition, the Group provides adequate job training to employees in order to equip them with practical knowledge and skills to tackle situations and challenges encountered in diverse work sites.

Final Dividend

The Board did not recommend payment of final dividend to Shareholders for the Reporting Period (FY15: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Comparison between Business Objectives with Actual Business Progress

An analysis comparing the business objectives as set out in the Prospectus for the Reporting Period with the Group's actual business progress up to the date of this annual report is set out below:

Business objectives for the Reporting Period	Actual business progress from the Listing Date up to the date of this annual report
1. Enhancing machinery and equipment	
• Purchase additional new machinery including 2 set of additional remote controlled demolition robot as well as other concrete demolition machinery, equipment, tools and accessories to improve our efficiency and technical capability	New machinery with the amount of approximately HK$7.1 million was acquired to enhance our efficiency and technical capability, mainly including 2 sets of additional remote controlled demolition robot amounting to approximately HK$2.7 million
• Evaluate the effectiveness and efficiency of new machinery and assess our need for additional machinery in view of our business development and obtain quotation for new machinery	Search and identification of suitable machinery on an ongoing basis by (1) reviewing professional journals, expert review reports on new technology and machinery, product catalogues and specifications, (2) attending trade exhibitions and industry conferences, and (3) referral and reference
2. Strengthening manpower	
• Recruit about 9 additional experienced project management and execution staff to strengthen our frontline manpower	19 experienced execution staff were recruited to strengthen our frontline manpower
• Recruit about 4 additional experienced staff to strengthen our machinery repair and maintenance team	3 experienced staff was recruited to strengthen our machinery repair and maintenance team
• Provide our workers with and sponsor our workers to attend training courses on different types of concrete demolition methods, operation of different types of machinery, as well as work safety	The Group has incurred approximately HK$300,000 in supporting our workers to attend training and workshop in order to increase safety awareness and improve productivity

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business objectives for the Reporting Period	Actual business progress from the Listing Date up to the date of this annual report
3. Increasing marketing efforts	
• Place advertisements through online channels and in industry magazines and publications, and sponsor events in the engineering and construction industries in Hong Kong to promote industry players' awareness of our Group	The Group had incurred approximately HK$5.2 million in marketing effort
• Perform direct mailings of revamped corporate brochures to potential customers based on our research of new construction projects on our subscribed industry database, revamp our corporate website and brochure	The Group has revamped its corporate website and brochure as planned. In addition, the Group constantly monitors potential construction and engineering projects in Hong Kong by way of subscription to relevant industry database. When an opportunity arises, the Group will actively secure the potential project by deploying various direct marking efforts
• Actively approach and develop relationship with main contractors to obtain and secure new business opportunities	The Group continues to actively maintain good and/or develop new relationship with main contractors to obtain and secure new business opportunities

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Che Xiaoyan ("Ms. Che"), aged 33, was appointed as the vice chairman of the Board and an executive Director of our Group on 22 January 2016. On 1 October 2016 Ms. Che was redesignated as the chairperson of the Board and the chief executive officer of the Company. Ms. Che obtained a bachelor's degree in International Business Trading from Hunan International Economics University in 2011. Ms. Che is experienced in the ecofriendly and energy saving industry. Ms. Che is the founder of Shenzhen Weixing Biological Technology Company Limited, a company established in the PRC in 2013 and is principally engaged in, among others, the development of products and services related to energy saving and reduction of carbon emission. She is also the founder of Shenzhen Changyi Energy Saving Technology Company Limited, a company established in the PRC in 2013 and is principally engaged in, among others, the research, development, production and sale of new energy batteries and solar energy products.

Mr. Liu Zhong Ping ("Mr. Liu"), aged 50, was appointed as an executive Director on 8 September 2015. Mr. Liu graduated from the Guangdong University of Technology with a bachelor's degree in materials science and engineering. Mr. Liu has extensive working experience in management and leadership role. Mr. Liu has been engaged in various business management positions in logistic management and import and export trade companies since 1989. He had been an executive director of Seamless Green China (Holdings) Limited (stock code: 8150) from June 2013 to October 2014, the shares of which are listed on the GEM of the Stock Exchange.

Mr. Man Wai Lun ("Mr. Man"), aged 44, was appointed as an executive Director on 26 October 2016. He obtained his diploma in Business Management from the School of Continuing Education, Hong Kong Baptist University in April 2003 and obtained a bachelor degree of accountancy from the University of South Australia in March 2007. Mr. Man has over 15 years of experience in accounting. He worked as the chief accountant in Inno-Tech Holdings Limited (stock code: 8202) from May 2006 to January 2011 and was responsible for accounting, management reporting, budgeting and group consolidation. Mr. Man is currently one of the directors of HF Financial Holdings (H.K.) Limited which was founded by him.

Ms. Jiao Fei ("Ms. Jiao"), aged 35, was appointed as an executive Director on 17 February 2017. She obtained a diploma in Property Management in Henan Business College (now known as Henan University of Animal Husbandry & Economy) on 1 July 2004. Ms. Jiao has around 12 years of working experience in property management and business operations. She was hired by Shenzhen Zhenyue Real Estate Co. Ltd* (深圳市振粵地產有限公司) as an investment promotion manager for eight months in 2015.

Ms. Yang Nina ("Ms. Yang"), aged 32, was appointed as an executive Director on 17 February 2017. She obtained a diploma in marketing in Xi'an University of Finance and Economics in June 2008. Ms. Yang has over 9 years of experience in brand management and project management. Ms. Yang is currently working as a sales manager of SZ Qianhai, a wholly-owned foreign enterprise established in the PRC and a member of the Group. Ms. Yang had worked as marketing manager in Shenzhen Amos Food Marketing Co. Ltd.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Mr. Li Shunmin (“Mr. S.M. Li”), aged 32, was appointed as an executive Director on 17 February 2017 and vice chairman of the Board on 10 March 2017. He obtained a diploma in Administration and Management from Anhui Economic Management Cadre College* (安徽經濟管理幹部學院) in July 2004. From 9 July 2011 Mr. Li has worked in Hefei 0551 Real Estate Network Marketing Company Limited* (合肥零五五一房產網絡營銷有限公司) (“**Hefei 0551**”) and subsequently with Anhui Wuyi Commercial Investment Group Co., Limited* (安徽省五一商業投資集團有限公司) (“**Anhui Wuyi**”), a part of Hefei 0551, as an operation officer and vice general manager. He is currently the vice chief executive officer of Anhui Wuyi and the general manager of the subsidiary of Anhui Wuyi.

Mr. Guan Jincheng (“Mr. Guan”), aged 43, was appointed as an executive Director of the Company on 17 February 2017. He obtained his master degree in Electronic Information Engineering in HeFei University of Technology in June 2005.

NON-EXECUTIVE DIRECTORS

Mr. ZHENG Si Rong (“Mr. Zheng”), aged 54, was appointed as a non-executive Director on 20 January 2015. Mr. Zheng had worked as the general manager of Guangzhou Ming Pu Guang Dian Technology Company Limited from 2011 to 2013 and was responsible for the daily business operation of the company. From 2007 to 2010, Mr. Zheng had worked as the deputy general manager of Guangdong Jiang Long Da Guang Dian Technology Company Limited and was responsible for the sales and marketing of the company. Mr. Zheng is currently a director of Jiangxi China Oil Gangran Energy Technology Company Limited and China Oil Gangran Energy Group Limited, each is a subsidiary of China Oil Gangran Energy Group Holdings Ltd., the shares of which are listed on the GEM of the Stock Exchange (stock code: 8132).

Mr. Wong Tik Tung (“Mr. Wong”), aged 59, was appointed as a non-executive Director on 23 September 2016. He is a fellow of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Certified Public Accountants and an associate of the Taxation Institute of Hong Kong. Mr. Wong has over 30 years’ experience in the fields of accounting, auditing and financial management and has worked for a number of multinational companies in the United States and Hong Kong. Over past years, Mr. Wong had taken directorships in the capacity of executive director or independent non-executive director in a number of companies listed on the Stock Exchange. Mr. Wong had been an executive director of Auto Italia Holdings Limited (stock code: 720), a company the shares of which are listed on the Main Board of the Stock Exchange, until 30 December 2013.

Ms. Wu Chunping (“Ms. Wu”), aged 36, was appointed as a non-executive Director on 17 February 2017. She obtained a diploma in Commercial English from Tongling University in July 2002. Ms. Wu is the founder and the legal representative of Hefei ThinkPower Tech Co., Ltd.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kam Wah (“Mr. Chan”), aged 40, was appointed as an independent non-executive Director on 27 May 2016. He holds a bachelor’s degree in Accounting from Napier University, Edinburgh of Scotland. Mr. Chan is also a fellow of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 10 years of experience in accounting and finance.

Mr. Bai Honghai (“Mr. Bai”), aged 51, was appointed as an independent non-executive Director on 27 May 2016. He is the president of PolyU Shenzhen Base, associate professor of medical psychology and health advisor, with qualification of senior lecturer of medical psychology. Mr. Bai obtained a Bachelor of Medicine from Pediatrics Department of Shanghai Second Medical University (currently known as Shanghai Jiao Tong University School of Medicine), Bachelor of Social Sciences and Bachelor of Science in Engineering from Shanghai Jiao Tong University, Postgraduate Diploma in Social Medicine and Health Professional Management, Doctor of Education from Hong Kong Financial & Economics College. He has been engaging in management of enterprises and institutions and related teaching and practice of medical psychology, pediatrics and psychological counseling for nearly 30 years.

Mr. Li An Sheng (“Mr. Li”), aged 41, was appointed as an independent non-executive Director on 17 February 2017. He obtained a postgraduate certificate in accounting from Anhui Finance and Trade College (安徽財貿學院) in July 2003. He has worked as a director of Anhui Huiyuancheng Electrical Technology Co., Ltd, a listed company in the PRC, since November 2016.

Mr. Shen Xingxing (“Mr. Shen”), aged 32, was appointed as an independent non-executive Director on 17 February 2017. He has experience in participating in initial public offering.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present hereby the corporate governance report of the Company for the Reporting Period.

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term and continuing success of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures for the best interest of the Company's shareholders.

COMPLIANCE WITH THE 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, save as disclosed below, the Company had complied with the applicable code provisions of the Code with the exception of the deviation as explained:

Under the Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the year, the positions of the Chairman and Chief Executive Officer were held by the same individuals during different periods within the Reporting Period. Details of the deviation are set out in the section headed "Chairman and Chief Executive Officer" below.

Under the Code provision A.5.1, the nomination committee must comprise a majority of independent non-executive Directors. Between 20 May 2016 to 27 May 2016, the Company were not in compliance with the requirements under the Code provision A.5.1. Details of the deviation are set out in the section headed "Board of directors" below.

Under the Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Liu Ping (an independent non-executive Director) did not attend the general meeting held during the year ended 31 December 2016 because he had other commitment on the date of the general meeting.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Pei Wing Fu ("**Mr. Pei**") served as chairman of the Board and chief executive officer of the Company during the year under review until his resignation effective on 1 October 2016. Mr. Pei had managed our Group's business and overall strategic planning since May 1991. Our Directors believed 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..

After Mr. Pei resigned as the chairman of the Board and the chief executive officer of the Company with effective from 1 October 2016, Ms. Che Xioayan was redesignated as the chairman of the Board and chief executive officer of the Company on the even date. The Board believes that Ms. Che possesses accumulated extensive experience in corporation management and business development. In view of the present rapid development in new businesses in the Group, such deviation is deemed appropriate as it is considered to be more efficient to have a single person to be the chairman of the Company as well as to discharge the function of chief executive officer with the support of the management, in which all major decisions are made in consultation with the other executive Directors. In certain core businesses, Ms. Che also delegates its power and authority to certain other executive Directors and the management who have extensive experience in these specific industries. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high caliber individuals.

BOARD OF DIRECTORS

The key responsibilities of the Board include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the "**Board Committees**"). Further details of the Board Committees are set out in this annual report. Under the terms of reference, the duties of the Board in respect of corporate governance are as follows:

1. to develop and review the policies and practices on corporate governance of the Group and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

5. to review the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

According to Rules 5.05(1) and 5.05A of the GEM Listing Rules, the Board must include at least three independent non-executive Directors and it is required to appoint independent non-executive Directors representing at least one-third of the Board.

According to Rule 5.28 of the GEM Listing Rules, the audit committee must comprise a minimum of 3 members, and the majority of the audit committee members must be independent non-executive Directors with appropriate professional qualifications or accounting or related financial management expertise as required in rule 5.05(2).

According to Rule 5.34 of the GEM Listing rules, the remuneration committee must be chaired by an independent non-executive Director and comprising a majority of independent non-executive Directors.

The Code provision A.5.1 stipulates that the nomination committee must comprise a majority of independent non-executive Directors.

In the annual general meeting held on 20 May 2016, Mr. Chong Yu Keung ("Mr. Chong"), Ms. Lee Suk Fong ("Ms. Lee") and Mr. Tsang Wai Wa ("Mr. Tsang") were not re-elected by the Shareholders as an executive Director, an independent non-executive Director and an independent non-executive Director, respectively. As a result, Mr. Chong, Ms. Lee and Mr. Tsang were no longer an executive Director, an independent non-executive Director and an independent non-executive Director, respectively, after the annual general meeting held on 20 May 2016. In the meantime, Ms. Lee ceased to be a member of each of the audit committee and the nomination committee of the Company. Mr. Tsang ceased to be the chairman of the audit committee and a member of the remuneration committee of the Company.

CORPORATE GOVERNANCE REPORT (continued)

As a result, there was only one independent non-executive Director remaining in the Board between 20 May and 27 May 2016. The Company was not in compliance with the requirements of the GEM Listing Rules mentioned above.

As the Board required reasonable time to find the most suitable candidates to fill the vacancies of Board members, between 20 May 2016 to 27 May 2016, there are only two members in the nomination committee and only one of which is an independent non-executive Director, the Company were not in compliance with the requirements under the Code provision A.5.1.

Following the appointment of Mr. Bai Honghai on 27 May 2016 as the new member of the nomination committee, the Board has fulfilled the requirement under the Code provision A.5.1.

Composition of the Board

During the Reporting Period and save as disclosed above, the number of independent non-executive Directors was in compliance with the requirement under Rules 5.05(1) and 5.05A of the GEM Listing Rules. In particular, the composition of the Board during the Reporting Period is set out as follow:

Executive Directors
Ms. Che Xiaoyan *(Chairman) (appointed on 22 January 2016)*
Ms. Pei Wing Sze Clare *(resigned on 26 October 2016)*
Mr. Pei Wing Fu *(resigned on 1 October 2016)*
Mr. Liu Zhong Ping
Mr. Chong Yu Keung *(ceased on 20 May 2016)*
Mr. Man Wai Lun *(appointed on 26 October 2016)*

Non-executive Directors
Mr. Zheng Si Rong
Mr. Wong Tik Tung *(appointed on 23 September 2016 and suspended on 7 March 2017)*

Independent Non-executive Directors
Prof. Lam Sing Kwong Simon *(resigned on 22 March 2016)*
Ms. Wong Wai Ling *(resigned on 22 March 2016)*
Ms. Lee Suk Fong *(ceased on 20 May 2016)*
Mr. Tsang Wai Wa *(ceased on 20 May 2016)*
Mr. Liu Ping *(resigned on 10 March 2017)*
Mr. Chan Kam Wah *(appointed on 27 May 2016)*
Mr. Bai Honghai *(appointed on 27 May 2016)*

CORPORATE GOVERNANCE REPORT (continued)

Specific enquiry has been made by the Company to each of the independent non-executive Directors to confirm their independence. In this connection, the Company has received positive confirmations from all of the independent non-executive Directors. Based on the confirmations received, the Company is of the view that all independent non-executive Directors are independent under the GEM Listing Rules.

Saved as disclosed in the section "Biographical Details of the Directors and Senior Management" in this annual report, there is no financial, business, family or other material or relevant relationship among members of the Board and senior management.

Board and General Meetings

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of our Group. Directors may participate either in person or through electronic means of communications.

During the Reporting Period, the Board had held 19 meetings and 1 annual general meeting. The attendance of the respective Directors at the Board meetings and general meetings are set out below:

	Attendance/ Number of Board meetings during the Reporting Period	Attendance/ Number of general meeting during the Reporting Period
Executive Directors		
Ms. Che Xiaoyan *(Chairman) (appointed on 22 January 2016)*	18/18	1/1
Ms. Pei Wing Sze Clare *(resigned on 26 October 2016)*	8/11	1/1
Mr. Pei Wing Fu *(resigned on 1 October 2016)*	8/10	1/1
Mr. Liu Zhong Ping	18/19	1/1
Mr. Chong Yu Keung *(ceased on 20 May 2016)*	2/3	1/1
Mr. Man Wai Lun *(appointed on 26 October 2016)*	7/8	0/0
Non-executive Directors		
Mr. Zheng Si Rong	11/19	1/1
Mr. Wong Tik Tung *(appointed on 23 September 2016 and suspended on 7 March 2017)*	5/10	0/0
Independent Non-executive Directors		
Prof. Lam Sing Kwong Simon *(resigned on 22 March 2016)*	2/2	0/0
Ms. Wong Wai Ling *(resigned on 22 March 2016)*	2/2	0/0
Ms. Lee Suk Fong (*ceased on 20 May 2016)*	2/3	1/1
Mr. Tsang Wai Wa *(ceased on 20 May 2016)*	1/3	1/1
Mr. Liu Ping *(resigned on 10 March 2017)*	14/9	0/1
Mr. Chan Kam Wah *(appointed on 27 May 2016)*	10/15	0/0
Mr. Bai Honghai *(appointed on 27 May 2016)*	11/15	0/0
Mr. Law Yiu Sing *(resigned on 22 January 2016)*	1/1	0/0

Note:

- Mr. Man Wai Lun, Mr. Wong Tik Tung, Mr. Chan Kam Wah and Mr. Bai Honghai did not attend the general meeting during the Reporting Period as they were appointed after the general meeting.
- Prof. Lam Sing Kwong Simon, Ms. Wong Wai Ling, Mr. Law Yiu Sing did not attend the general meeting during the Reporting Period as they had already resigned before the general meeting.
- Mr. Liu Ping did not attend the general meeting as he has other commitment on the date of general meeting.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by Directors in respect of the shares of the Company (the "**Code of Conduct**"). After specific enquiries of all the Directors by the Company, all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct throughout the Reporting Period.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged our Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During the Reporting Period, the Company has encouraged all Directors to attend at least one training course on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they are kept abreast with the latest requirements under the GEM Listing Rules. The Group has also adopted a policy to reimburse the Directors for any relevant training costs and expenses incurred concerning corporate governance and internal control.

BOARD COMMITTEES

The Board has established a number of functional committees in compliance with the relevant GEM Listing Rules and to assist the Board to discharge its duties. Currently, three committees have been established, i.e. the audit committee (the "**Audit Committee**"), the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**"). The functions and responsibilities of these committees have been set out in the relevant terms of reference which are of no less stringent than that stated in the Code. The relevant terms of reference of each of the three committees can be found on the Group's website (www.gf-holdings.com). All committees have been provided with sufficient resources and support from the Group to discharge their duties.

AUDIT COMMITTEE

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

The Audit Committee must comprise a minimum of three members, at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules. In addition, the majority of the Audit Committee shall be independent non-executive Directors. As at the date of this report, the Audit Committee comprises three members, namely Mr. Chan Kam Wah (Chairman), Mr. Li An Sheng and Mr. Shen Xingxing, all of whom are independent non-executive Directors.

CORPORATE GOVERNANCE REPORT (continued)

With reference to the terms of reference, the primary responsibilities of the Audit Committee are, among others (for the complete terms of reference, please refer to the Group's website at www.gf-holdings.com):

1. to make recommendations to the Board on the appointment and re-appointment of the Company's external auditors, and approve the remuneration and terms of engagement of the Company's external auditors;

2. to review and monitor the Company's external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

3. to develop and implement policy on engaging the Company's external auditors to supply non-audit services, if any;

4. to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and review significant financial reporting judgments contained in them;

5. to discuss with the Company's external auditors questions and doubts arising in audit of annual accounts;

6. to review the letter of the Company's management from the Company's external auditors and the management's response;

7. to review the statement about the Company's internal control system as included in the Company's annual report prior to submission for the Board's approval;

8. to review the Company's financial reporting, financial controls, internal control and risk management system;

9. to discuss the internal control system with the Company's management to ensure that management has performed its duty to have an effective internal control system;

10. to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

11. to review the financial and accounting policies and practices of the Group;

12. to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and

13. to report to the Board on that matters pursuant to the terms of reference of the Audit Committee and consider other topics as defined by the Board.

During the Reporting Period, the Audit Committee had reviewed the Group's audited results for the year ended 31 December 2015, the unaudited quarterly results for the three months ended 31 March 2016 and the nine months ended 30 September 2016 and the unaudited interim results for the six months ended 30 June 2016 and discussed internal controls and financial reporting matters. The Audit Committee had also reviewed the Group's audited annual results for the Reporting Period, this annual report, and confirmed that this annual report complies with the applicable standard, the GEM Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

Save as disclosed in this Report, the Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the Reporting Period and up to the date of this report.

During the Reporting Period, the Audit Committee had held four meetings. The attendance records of the members of the Audit Committee during the Reporting Period are summarised below:

	Attendance/Number of meetings during the Reporting Period
Mr. Law Yiu Sing *(Chairman) (resigned on 22 January 2016)*	0/0
Mr. Tsang Wai Wa *(Chairman) (ceased on 20 May 2016)*	2/2
Prof. Lam Sing Kwong Simon *(resigned on 22 March 2016)*	1/1
Ms. Wong Wai Ling *(resigned on 22 March 2016)*	1/1
Mr. Chan Kam Wah *(Chairman) (appointed on 27 May 2016)*	1/2
Mr. Liu Ping	2/3
Mr. Bai Honghai *(appointed on 27 May 2016)*	2/2
Ms. Lee Shuk Fong (ceased on 20 May 2016)	2/2

REMUNERATION COMMITTEE

The Remuneration Committee was established on 2 August 2014 with terms of reference in compliance with Rules 5.34 to 5.36 at the GEM Listing Rules, and Provisions B.1.1-1.4 of the Code. As at the date of this report, the Remuneration Committee comprises three members, namely Mr. Li An Sheng (Chairman), Mr. Guan Jincheng and Mr. Shen Xingxing. Mr. Li and Mr. Shen are independent non-executive Directors.

With reference to the terms of reference of the Remuneration Committee, the primary responsibilities of the Remuneration Committee include (for the complete terms of reference, please refer to the Group's website at www.gf-holdings.com):

1. consulting the chairman of the Board and/of chief executive about their remuneration proposals for other executive Directors;

2. making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

3. reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;

4. making recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

5. making recommendations to the Board on the remuneration of non-executive Directors;

CORPORATE GOVERNANCE REPORT (continued)

6. considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;

7. reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and

8. reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

During the Reporting Period, the Remuneration Committee had held 5 meetings. The attendance records of the members of the Remuneration Committee are summarised below:

	Attendance/Number of meetings during the Reporting Period
Prof. Lam Sing Kwong Simon *(Chairman) (resigned on 22 March 2016)*	2/2
Ms. Pei Wing Sze Clare *(resigned on 26 October 2016)*	3/4
Mr. Law Yiu Sing *(resigned on 22 January 2016)*	0/1
Mr. Tsang Wai Wa *(ceased on 20 May 2016)*	1/2
Mr. Liu Ping *(Chairman)*	3/5
Mr. Chan Kam Wah *(appointed on 27 May 2016)*	3/3
Mr. Man Wai Lun *(appointed on 26 October 2016)*	1/1

During the Reporting Period, the Remuneration Committee had reviewed (1) the remuneration of Ms. Che Xiaoyan, Mr. Liu Zhong Ping, Mr. Chong Yu Keung and Mr. Man Wai Lun (each an executive Director), Mr. Wong Tik Tung and Mr. Zheng Si Rong (each a non-executive Director), Ms. Lee Suk Fong, Mr. Tsang Wai Wa, Mr. Liu Ping Mr. Chan Kam Wah, Mr. Bai Honghai (each an independent non-executive Director); (2) the terms of the service agreements with the said Directors; and (3) the remuneration packages and performance of the Directors during the year ended 31 December 2016.

Save as disclosed in this Report, the Board is of the view that the Remuneration Committee has properly discharged its duties and responsibilities during the Reporting Period and up to the date of this report.

NOMINATION COMMITTEE

The Nomination Committee was established on 2 August 2014 with terms of reference in compliance with Provisions A.5.2-5.6 of the Code. As at the date of this report, the Nomination Committee comprises three members, namely Ms. Che Xiaoyan (Chairman), Mr. Li An Sheng and Mr. Shen Xingxing. Ms. Che is the executive Director, whereas Mr. Li and Mr. Shen are independent non-executive Directors.

CORPORATE GOVERNANCE REPORT (continued)

With reference to the terms of reference of the Nomination Committee, the primary responsibilities of the Nomination Committee include (for the complete terms of reference, please refer to the Group's website at www.gf-holdings.com):

1. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations on proposed changes, if any, to the Board to complement the Company's corporate strategy;

2. reviewing the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;

3. identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

4. assessing the independence of independent non-executive Directors; and

5. making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

During the Reporting Period, the Remuneration Committee had held 3 meetings. The attendance records of the members of the Nomination committee are summarised below:

	Attendance/Number of meetings during the Reporting Period
Mr. Pei Wing Fu *(Chairman) (resigned on 1 October 2016)*	2/3
Prof. Lam Sing Kwong Simon *(resigned on 22 March 2016)*	2/3
Ms. Wong Wai Ling *(resigned on 22 March 2016)*	2/3
Ms. Che Xiaoyan *(Chairman) (appointed on 22 January 2016)*	1/3
Mr. Liu Ping	1/3
Mr. Bai Honghai *(appointed on 27 May 2016)*	1/3

At the meetings, the Nomination Committee had reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors, reviewed the qualifications of the Directors and the progress on the implementation of the board diversity policy.

Save as disclosed in this Report, the Board is of the view that the Nomination Committee has properly discharged its duties and responsibilities during the Reporting Period and up to the date of this report.

CORPORATE GOVERNANCE REPORT (continued)

DIVERSITY OF THE BOARD

The Group has adopted policy in relation to the diversity of the members of the Board and the summary of the policy is as follows:

1. selection of Board members will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and

2. the Nomination Committee will monitor the implementation of the diversity policy from time to time to ensure the effectiveness of the diversity policy.

AUDITORS' REMUNERATION

On 23 November 2016, HLB Hodgson Impey Cheng Limited ("**HLB**") resigned as the external auditors of the Company and on the same day the Company engaged ZHONGHUI ANDA CPA Limited ("**ZH**") as the Group's new external auditors to conduct audit of the financial results of the Group for the year ended 31 December 2016 with the remuneration payable of HK$790,000.

The Group engaged ZH to examine the principal accounting policies adopted in and the arithmetical accuracy of the calculations of the discounted cash flow forecast underlying the valuation of the entire equity interest of Mansion Point International Limited performed by a valuer in relation to the acquisition on Mansion Point International Limited by the Company. The fee of HK$88,000 for such non-audit services provided by ZH was paid by the Company.

COMPANY SECRETARY

Mr. Cheung Wai Kee ("Mr. Cheung") was appointed as the Company Secretary on 1 July 2016. Mr. Cheung has adequate knowledge on the Company to discharge his duty as the Company Secretary. Mr. Cheung confirmed that he has taken no less than 15 hours of relevant professional training during the Reporting Period.

COMPLIANCE OFFICER

On 26 October 2016, Ms. Pei Wing Sze Clare resigned as the compliance officer of the Group and on the same day Mr. Man Wai Lun was appointed as the compliance officer of the Group.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the establishment, maintenance and review of the Group's system of internal controls and risk management. The Board must ensure that the Company establishes and maintains effective internal control and risk management systems to meet the objectives and safeguard the interests of the Shareholders and the assets of the Company.

The Board oversees the overall risk management and internal control system of the Group on an ongoing basis and endeavors to identify, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risk management and internal control systems compatible with the Commissioner of Sponsoring Organizations of the Treadway Commission (COSO) – Integrated Framework 2013 principles are designed to manage rather than eliminate the risk of failures to achieve business objectives, and provide only reasonable but not absolute assurance against material misstatement or loss.

The Group have established a risk management policy set out the process of identification, evaluation and management of the principal risks affecting the business.

1. Each divisions is responsible for identifying, assessing and managing risks within its divisions, identify and assess the principal risks on a quarterly basis with mitigation plans to manage those risks;

2. The management is responsible for overseeing the risk management and internal control activities of the Group, quarterly meetings with each divisions to ensure principals risk are properly managed, and new or changing risks are identified and documented;

3. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal controls.

The risk management framework, coupled with our internal controls, ensures that the risk associated with our different business units are effectively controlled in line with the Group's appetite.

The Company does not have an internal audit department and engaged an external internal control consultant, CT Partners Consultants Limited, to conduct review on the internal control system of the Group during the year. The review covering certain procedures on the construction related business and trading of LED light sources, and make recommendations for improvement and strengthening of internal control system. No significant areas of concern that may affect the financial, operational, compliance, controls and risk management of the Group have been identified.

The Group's risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has the overall responsibility to maintain the adequacy of resources, staff qualifications and experience training programs and budget of accounting and financial reporting function and the Board has reached the conclusion that the Group's risk management and internal control system was in place and effective.

With respect to the monitoring and disclosure of inside information, the Group has adopted a policy on disclosure of inside information with an aim to ensure that the insiders abide by the confidentiality requirement and fulfill the disclosure obligation of the inside information.

CORPORATE GOVERNANCE REPORT (continued)

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the financial statements and to ensure that the financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required under the GEM Listing Rules. The Directors are of the view that the financial statements of the Group for each financial year have been prepared on this basis.

To the best knowledge of the Directors, there are no uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Statement of the Company's external auditors' responsibilities in respect of the consolidated financial statements is set out in the Independent Auditors' Report of this annual report.

GENERAL MEETINGS WITH SHAREHOLDERS

The annual general meeting ("**AGM**") is a forum in which the Board and the Shareholders communicate directly and exchange views concerning the affairs and overall performance of the Group, and its future developments, etc. At the AGM, the Directors (including independent non-executive Directors) will answer questions raised by the Shareholders. The external auditors of the Company is also invited to be present at the AGM to address to queries of the Shareholders concerning the audit procedures and the auditors' report.

The forthcoming AGM of the Company will be held on 29 May 2017, the notice of which shall be sent to the Shareholders at least 20 clear business days prior to the meeting.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meeting on Requisition by Shareholders

Pursuant to article 64 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting ("**EGM**"). EGMs shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, all reasonable expenses incurred by the acquisition(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders' Nomination of Directors

Pursuant to article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company. The period for lodgment of the notices required under the Articles will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may direct their enquiries concerning their shareholdings to the Company's share registrars. Shareholders may also make a request for the Company's information to the extent that such information has been made publicly available by the Company. All written enquiries or requests may be forwarded to the Company's head office or by fax to (852) 3571 9460, or by email to info@gf-holdings.com.

The addresses of the Company's head office and the Company's share registrars can be found in the section headed "Corporate Information" of this annual report.

INVESTOR RELATIONS

To ensure transparent and comprehensive disclosures to investors, the Group delivers information of the Group to the public through various channels, including general meeting, public announcement and financial reports. The investors are also able to access the latest news and information of the Group via our website (www.gf-holdings.com).

In order to maintain good and effective communication, the Company together with the Board extend their invitation to all shareholders and encourage them to attend the forthcoming AGM and all future general meetings.

The shareholders may also forward their enquiries and suggestions in writing to the Company to the followings:

Address: Room 1901, COFCO Tower,
262 Gloucester Road,
Causeway Bay,
Hong Kong

Email: info@gf-holdings.com

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Reporting Period, there had been no significant changes in the constitutional documents of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

Glory Flame Holdings Limited ("the Group") principally engaged in the provision of concrete demolition services in Hong Kong as subcontractor and trading of light emitting diode ("LED") light sources for decoration. 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 drilling, sawing, bursting and crushing. A typical job involves one or a combination of concrete demolition methods depending on the situation. Our services are required in many different situations including, among others, addition and alteration works and redevelopment projects in buildings, roads, tunnels and underground facilities.

This is the first Environmental, Social and Governance Report of Glory Flame Holdings Limited. It discloses the Group's performance on Environmental and Social, focusing on the accomplishments over the period between 1 January 2016 and 31 December 2016 ("2016" or "the year").

The report follows the latest version of the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEX ESG Reporting Guide") published in December 2015.

The operating environment of the construction business is foreseeably tough resulting from increasing costs including raw materials and consumables, staff and subcontracting charges as well as the increasing price competition. In view of the expected tough operating environment, under the Group's strategic growth plan, we will continue to monitor our business in the Hong Kong market and seek to optimise our business strengths and competitive advantages wherever possible.

I. ENVIRONMENTAL

The Group considers environmental protection an essential component of sustainable and responsible business. We strive to minimise negative impact to the environment through optimising the use of natural resources and encouraging our clients, business partners and the wider community to embrace environmental stewardship. There are three principles that we ought to carry out for caring of the environment include proper waste management, efficient use of resources and minimising environmental impact.

I.1 Emissions

The Group develops management approaches to address the waste generated in the business operations proactively. Sources of emissions of the Group may include air pollution, noise and waste disposal. Being engaged in concrete demolition services and trading of light emitting diode ("LED") light sources for decoration, the use of energy and waste disposal shall be the major sources of emissions among others.

To be recognised as an environmentally responsible organisation, we shall set the temperatures of our offices and other indoor areas at an environmentally friendly level, abandon the use of incandescent light bulbs and install LED lighting throughout our offices and other indoor areas as well as maintain our environmental management system for our internal operations, aligned to ISO 14001 principles. For the achievement of our goal, we comply strictly to the environmental regulations which include but not limited to Air Pollution Control Ordinance, Noise Control Ordinance and Waste Disposal Ordinance so as to help minimising the impact on the environment and community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Under the amendment of the Air Pollution Control Ordinance in 2008 by the Environmental Protection Department, we have placed more efforts in reducing our emission levels when we are operating in any construction sites.

I.2 Use of Resources

The Group has undertaken measures such as reducing paper usage including usage of electronic devices, encouraging the use of websites and online version of corporate communications and setting the air-conditioning temperatures of our offices and other indoor areas at an environmentally friendly level during the summer months. Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in all business practices and contribute to the sustainable development of the environment.

I.3 Environmental and Natural Resources

Our construction segment has put much effort into protecting the environment at project sites. Measures implemented, to name a few, included controls over air pollution, noise, waste water discharge, dust control, controlled chemical waste disposal. Under the enactment of the Construction Waste Disposal Charging Scheme in January 2005, we have opened billing accounts with the Environmental Protection Department for repaying the service charges when using any legitimate waste disposal facilities for construction waste. We have zero toleration to any activities involved illegal damping of construction waste, like fly tipping.

In addition, the Group has introduced a green policy to enhance the awareness of environmental protection among staff. With the aim of saving energy, employees are encouraged to fully utilise resources and recycle wastes in daily office operation, such as using LED or other energy efficient luminaire and adjusting the operating schedule of the air-conditioning and lighting systems in office areas. Environmental protection policies and plans were also set up for different projects. To ensure that those measures are implemented, the Group also provide experienced personnel with suitable training.

II. SOCIAL

Being a responsible business and employer, we are committed to consistently looking for ways to meet our corporate social responsibilities. We focus on our staff, environment and community as well as our business partners.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

II.1 Employment and Labour Practices

Employment and Labour Standards

To attract, develop and retain qualified employees, the Group is committed to offering professional development opportunities and a healthy working environment for all employees and on-site staff. The Group advocates a community spirit that thrives on mutual respect and equal opportunities. It complies strictly to equal opportunities legislation include but not limited to the Sex Discrimination Ordinance, Race Discrimination Ordinance, Disability Discrimination Ordinance and Family Status Crimination Ordinance. By recruiting, remunerating and promoting employees based on their experience, skills and performance, without prejudice to age, race, disability, gender or family status, diversity and equality shall be ensured. Employees are also encouraged to discuss their targets in job advancement and career development with their senior management.

The Employment of Children Regulations and Employment of Young Persons (Industry) Regulations made under the Employment Ordinance prohibits all employers engaging child and forced labour in the workforce and regulate the hours of work and general conditions of employment of young persons in industrial undertakings. With compliance to relevant laws and regulations, we will not engage in any forced or child labour. Our Personal Conduct and Staff Conduct Code are enclosed in our Human Resources Policies and Staff Handbook, which are readily accessible to all employees.

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.

Different recreational activities, for example, gatherings and seminars were arranged by our Human Resources Department to increase the sense of belongings of our employees. We also review our compensation and benefits programmes regularly to ensure our compensation and benefits packages remain competitive.

Employee Health and Safety

We have recognised the importance of maintaining a safe, effective and congenial work environment and policies, to provide sufficient protection to our staff. Hence, we have put various occupational health and safety measures in place and regularly perform check on the work environment and staff facilities.

Our site safety officers ensure site safety inspections are carried out on a regular basis and any finding in major breaches and unsafe condition are rectified promptly. The site safety subgroup is comprised of representatives from our main contractors and us, and operating meetings are held frequently. The Group continues to review and refine our health and safety training modules and programmes once we got any information or news related to health and safety through different communication channels and platforms.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Furthermore, we have composed a safety manual, which allow us to provide the highest standard of protection and prevention for all our staff against the unnecessary exposure to occupational hazards. The safety manual has stated that it is mandatory to any staff who is working on the construction sites, must equip special safety equipment, like safety helmets, ear plugs, dust masks, goggles and safety shoes etc. Our site safety officers carried out site inspection on a regular basis and rectified any breaches and unsafe conditions if found. Also, the manual is detail listed the safety requirements of different constructive situation, for example:

- Workers must equip with safety belt as well as a safety net is in place for any work site which is 2m above ground or higher;

- Safety gears (i.e. helmet, safety goggles, earplugs etc.) must be worn at all time when using any machinery; and

- All machineries are installed with an emergency off switch.

Training and Development

As technologies advances by leaps and bounds, we are committed to providing staff training and development programmes designed to help our employees enhancing their knowledge and skills to meet the challenges of a changing era.

The Group recognises that the knowledge and skills of our employees are vital to the Group's continued business development and success, we, therefore, encourage our staff to pursue further with their professional development. We nominate staff to attend both internal and external training programmes from time to time and when appropriate. Our training programmes range from professional and technical training to personal development skills. 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. To continuously attract new talents, the Group also provides education subsidies to encourage our staff in further developing their skills and broaden their knowledge.

II.2 Operating Practices

Supply Chain Management

To comply with the laws and regulations, the Group has established stringent internal controls to procuring goods and materials through fair and unbiased tender process. The selection of subcontractors and suppliers will be based on meeting specifications and standards, product and service quality as well as service support.

The Group carefully selects qualified suppliers to ensure that the entire production process is in line with our standards and rules. We not only request our new suppliers to submit a review of all relevant documents, but also conduct rigorous check to assess their reliability. In brief, we carry out inspections and assessments regularly to review the suppliers' standards and terminate collaboration with unqualified suppliers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

The Group upholds fair operating practices in its relationship with subcontractors and suppliers through an efficient procurement system. We conduct regular reviews of terms and conditions of subcontractors and supply contractors between the Group and our subcontractors and suppliers which enables the development of effective and strong partnerships. Such reviews may cover the potential enhancement of social, ethical, environmental and gender equality in subcontracts and supply contracts.

Product Responsibility

The Group recognises that good customer and after-sales services are keys to the success and sustainability of the Group. In order to cater for prompt response in meeting with the needs of our customers, we therefore have set up customer service teams for its different business units to handle customers' queries efficiently.

We respect the privacy of personal data. Thus, we have developed policies on the collection and usage of personal data. Review and revision of the personal data and privacy policy are carried out regularly to ensure its effectiveness and compliance with relevant laws.

During the past year, the Group has engaged an external specialist to develop a vegetable planting machine. The vegetable planting machine requires no soil, water and sunlight, individuals can plant vegetables at home or anywhere. With control of the environmental factors, clean and non-polluted vegetables can be planted. In the today's society, food safety has become a paramount concern due to the daily deteriorating environment. Public tend to maintain a healthy lifestyle that organic vegetables shall be taken into their consideration.

In the coming years, the entire LED market is expected to have continuous growth. Due to the comparative advantage over conventional light sources in terms of energy saving efficiently and product durability, LED light sources is considered to be environmentally friendly. There is an increase in customer acceptance on using LED light sources. It is expected that LED would eventually replace conventional light in the future.

Anti-Corruption

The Group has zero tolerance on any form of bribery and corruption. Employees are reminded to avoid situation that may lead to or involve a conflict of interest. In particular, we have established a Code of Conduct and stipulated in the Staff Handbook. Staff are prohibited to request, receive or accept any forms of benefit from any persons, company or organisation which have business transactions with the Group.

The Group adheres to stringent anti-corruption policies and procurement practices as stated in the Group's Staff Handbook and Internal Control Manual that includes conflicts of interest, intellectual property rights, privacy and confidentiality of information, bribery and corruption and equal opportunities. As part of the Group's orientation, new employees receive anti-corruption training. The Group's gift policy under the "Acceptance of Advantage in Employment" clearly states the required process and procedure for handling and accepting gifts and advantages. No cases of corruption were reported within the Group during the year.

II.3 Community Involvement

The Group has dedicated itself to take up its corporate social responsibility for the communities where it is present. It strives to repay society and in hope of creating a better living environment by participating in community services, charitable sponsorships, in education, cultural and sports activities and in the promotion of environmental protection.

Over the years, the Group has engaged in plenty of charitable sponsorships, training programme and Corporate Social Responsibility (CSR) projects in the communities' interests. These activities include sponsoring the publication of safety bulletin, seminar or experience sharing events, as well as some community activities (Care and Share Events and Construction Industry Sports & Volunteering Programme). The Group has also taken part in a CSR project sponsorship for sensory Garden for Hong Chi Winifred Mary Cheung Morning Hope School during the year.

FUTURE APPROACH TOWARDS SUSTAINABLE DEVELOPMENT

In the future, we will:

- Search for energy-saving and environmentally-friendly equipment and materials for our construction projects;

- Formulate policy to promote awareness and practices on resource usage reduction, waste reduction and energy conservation; and

- Be proactive in involving various community programs and contributing to society.

DIRECTORS' REPORT

The Board is pleased to present the annual report together with the audited consolidated financial statements for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged (i) the provision of concrete demolition services, and manufacturing and trading of prestressed high strength concrete piles and (ii) trading of LED light sources for decoration and the Ecological LED Cultivation Cabinet System.

BUSINESS REVIEW

Further discussion and analysis of these activities, including a business review of the Group for the Reporting Period and an indication of likely future developments in the Group's business, can be found in the Chairman's statement and Management Discussion and Analysis as set out on pages 4 to 15 of this annual report. These discussions form part of this directors' report.

ENVIRONMENTAL POLICIES, PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

Details of Environmental Policies, performance and compliance with laws and regulations are set out in the "Environmental, Social and Governance Report" in this annual report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors recognizes that employees, customers and business partners are the keys to the sustainable development of the Group. The Group is committed to building a close and caring relationship with its employees and business partners and improving the quality of services to the customers.

Employees are regarded as the most important and valuable assets of the Group. The Group ensures all staff is reasonably remunerated and regular training courses are provided for its workers on different types of concrete demolition methods, operation of different types of machinery, as well as work safety. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills.

The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

RESULT AND APPROPRIATIONS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 52.

The Board did not recommend payment of final dividend to shareholders of the Company for the Reporting Period.

CLOSURE OF REGISTER OF MEMBERS

As the forthcoming AGM of the Company will be held on 29 May 2017 (Monday), the register of members of the Company will be closed from 24 May 2017 (Wednesday) to 29 May 2017 (Monday) (both days inclusive) for the said AGM or any adjournment thereof. All transfer of the Company's shares together with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office no later than 4:30 p.m. on 23 May 2017 (Tuesday) in order to qualify for the right to attend and vote at the AGM (or any adjournment thereof). The share registrar and transfer office is at:

Address: Boardroom Share Registrars (HK) Limited
31/F., 148 Electric Road
North Point
Hong Kong

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past four financial years are set out on page 100.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the Reporting Period are set out in note 17 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2016 and details of the acquisition of subsidiaries during the Reporting Period are set out in notes 33 and 11 to the consolidated financial statements.

SHARE CAPITAL AND SHARE PREMIUM

The Company's total issued share capital as at 31 December 2016 was 760,000,000 ordinary shares of HK$0.01 each.

Details of movements of the share capital and the share premium of the Company during the Reporting Period are set out in note 27 to the consolidated financial statements.

EMOLUMENT POLICY FOR DIRECTORS

The Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

DIRECTORS' REPORT (continued)

RESERVES

Details of the reserves of the Group are set out in consolidated statement of changes in equity on page 54.

As at 31 December 2016, the reserves of the Company available for distribution, as calculated under the provisions of section 79B of the Companies Ordinance, and in accordance with the Companies Law Cap. 22 of Cayman Islands, was approximately HK$102.6 million (2015: approximately HK$72.9 million) inclusive of share premium, share-based payment reserve, special reserve and retained earnings/accumulated losses.

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company (the "Scheme") which was adopted on 2 August 2014 (the "Date of Adoption") are set out in note 29 to the consolidated financial statements.

The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (fulltime and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of the Group and to promote the success of the business of the Group.

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), Director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or services provider of the Group, options to subscribe for such number of shares of the Company as it may determine in accordance with the terms of the Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

Pursuant to the Scheme, the Directors were authorised to grant options to subscribe for up to a maximum number of 62,000,000 Shares, which represented 10% of the then total issued share capital of the Company at the Date of Adoption.

Since the Date of Adoption to 31 December 2016, the total number of share options granted is 51,620,000 (note: all those share options are granted during the Reporting Period), whereas 6,200,000 were lapsed during the Reporting Period. As at 31 December 2016, none of the share options were exercised or cancelled, the number of outstanding share options issued under the Scheme is 45,420,000, representing 5.98 % of the total issued Shares as at 31 December 2016.

The total number of Share Option available for issue as at the date of this report is 10,380,000, representing 1.32% of the total number of issued Shares as at the date of this report.

The maximum number of entitlement to Shares of each grantee under the Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of the issued Shares. Any further grant of options in excess of this 1% limit shall be subject to the approval of the Shareholders in accordance with the GEM Listing Rules.

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK$1.

The subscription price of a share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

The Scheme will remain in force for a period of ten years commencing on the date on the adoption date, being 2 August 2014 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders of the Company in general meeting.

DIRECTORS

The Directors during the Reporting Period and up to the date of this report were:

Executive Directors

Ms. Che Xiaoyan *(Chairman) (appointed on 22 January 2016)*
Ms. Pei Wing Sze Clare *(resigned on 26 October 2016)*
Mr. Pei Wing Fu *(resigned on 1 October 2016)*
Mr. Liu Zhong Ping
Mr. Chong Yu Keung *(ceased on 20 May 2016)*
Mr. Man Wai Lun *(appointed on 26 October 2016)*
Ms. Jiao Fei *(appointed on 17 February 2017)*
Ms. Yang Nina *(appointed on 17 February 2017)*
Mr. Li Shunmin *(appointed on 17 February 2017)*
Mr. Guan Jincheng *(appointed on 17 February 2017)*

Non-executive Directors

Mr. Zheng Si Rong
Mr. Wong Tik Tung *(appointed on 23 September 2016 and suspended on 7 March 2017)*
Ms. Wu Chunping *(appointed on 17 February 2017)*

DIRECTORS' REPORT (continued)

Independent Non-executive Directors

Prof. Lam Sing Kwong Simon *(resigned on 22 March 2016)*
Ms. Wong Wai Ling *(resigned on 22 March 2016)*
Ms. Lee Suk Fong *(ceased on 20 May 2016)*
Mr. Tsang Wai Wa *(ceased on 20 May 2016)*
Mr. Liu Ping *(resigned on 10 March 2017)*
Mr. Chan Kam Wah *(appointed on 27 May 2016)*
Mr. Bai Honghai *(appointed on 27 May 2016)*
Mr. Li An Sheng *(appointed on 17 February 2017)*
Mr. Shen Xingxing *(appointed on 17 February 2017)*
Mr. Law Yiu Sing *(resigned on 22 January 2016)*

The Directors' biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" in this report.

Information regarding directors' emoluments is set out in note 14 to the consolidated financial statements.

An annual confirmation of independence pursuant to the requirements under Rule 5.09 of the GEM Listing Rules has been received from each of the independent non-executive Directors.

DIRECTORS' SERVICE CONTRACT

As at the date of this report, each of Ms. Jiao Fei, Ms. Yang Nina, Mr. Li Shunmin, Mr. Guan Jincheng, Ms. Wu Chunping, Mr. Li An Sheng and Mr. Shen Xingxing has not entered into a service contract with the Company and their term of office have not been fixed. The details of their service contracts shall be determined by the Board at a later stage with reference to the recommendation of the remuneration committee of the Company. Other than the Directors mentioned in this paragraph, each of the other Directors mentioned in the section "Directors" in this directors' report has entered into a service contract with the Company for a term of three years.

Save as disclosed above, no director, has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation. Save as disclosed above, all the non-executive Director of the Company were appointed for a fixed period but subject to retirement from office and re-election at the AGM of the Company in accordance with the Articles.

Save as disclosed above, each of the executive Directors shall also be entitled to discretionary bonus to be determined by the Board based on, among other things, the performance of the individual directors and the overall financial position of the Group, and is subject to the recommendation of the remuneration committee of the Company.

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 December 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

Name of Directors	Capacity/Nature	Number of Shares held/interested in	Approximate percentage of shareholding
Ms. Che Xiaoyan	Beneficial owner	6,200,000	0.82%
Ms. Liu Ping (resigned on 10 March 2017)	Beneficial owner	620,000	0.08%
Mr. Liu Zhongping	Beneficial owner	6,200,000	0.82%

(ii) Short positions

As at 31 December 2016, 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.

Note: After the Reporting Period, the Company has appointed 7 new Directors. As at the date of this report, among the newly appointed Directors, Ms. Jiao Fei holds 5,000,000 Shares as a beneficial owner, Ms. Yang Nina holds 5,000,000 Shares as a beneficial owner and Mr. Li Shunmun holds 9,780,000 Shares as beneficial owner. The total number of issued Shares of the Company as of the date of this report is 786,200,000.

DIRECTORS' REPORT (continued)

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

Save as disclosed below, as at 31 December 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 shareholdings
Mr. Ma Xingjin	Beneficial owner	50,000,000	Long	6.58%
Mr. Mo Yubin *(note)*	Beneficial owner	142,000,000	Long	18.68%

Note: On 9 September 2016, the Company and Mr. Mo Yubin, ("Mr. Mo" or the "Vendor") entered into the sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which the Vendor has agreed to sell, and the Company has agreed to purchase 51% of the issued share capital of Mansion Point Internation Limited. The consideration for the acquisition is HK$66,000,200 (subject to adjustment), which shall be satisfied in cash and by way of issue and allotment of the consideration shares.

On 11 November 2016, 50,000,000 new Shares was issued to Mr. Mo as partial consideration for the acquisition pursuant to the Sale and Purchase Agreement.

For details, please refer to the Company's announcements dated 9 September 2016, 20 September 2016 and 8 November 2016.

MAJOR CUSTOMERS

During the Reporting Period, the Group's five largest customers accounted for approximately 40.4% (2015: approximately 31.3%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 19.9% (2015: approximately 15.8%) of the total revenue.

None of the Directors or any of their close associates (as defined under the GEM Listing Rules), or any Shareholder (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

MAJOR SUPPLIERS

During the Reporting Period, the Group's five largest suppliers accounted for approximately 85.5% (2015: approximately 55.1%) of the total purchases of the Group and the largest supplier of the Group accounted for approximately 50.2% (2015: approximately 19.0%) of the total purchases.

None of the Directors or any of their close associates (as defined under the GEM Listing Rules), or any Shareholder (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

MAJOR SUBCONTRACTORS

During the Reporting Period, the Group's five largest subcontractors accounted for approximately 66.7% (2015: approximately 65.6%) of the total subcontractings of the Group and the largest subcontractor of the Group accounted for approximately 20.1% (2015: approximately 20.6%) of the total purchases.

None of the Directors or any of their close associates (as defined under the GEM Listing Rules), or any Shareholder (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest subcontractors.

DIRECTORS' INTEREST IN CONTRACTS

Save for the related party transactions disclosed in note 32 to the consolidated financial statements, no contract of significance to which the Company or any of its subsidiaries, holding company or fellow subsidiaries was a party and in which a Director had a material interests directly or indirectly subsisted at the end of the Reporting Period or at any time during the Reporting Period.

MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the significant related party and connected transactions of the Group are set out in note 32 to the consolidated financial statements.

The related party transactions set out in Note 32 to the consolidated financial statements were fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

DIRECTORS' REPORT (continued)

INTERESTS IN COMPETING BUSINESS

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.

All the independent non-executive Directors are delegated with the authority to review the non-competition undertakings (the "**Non-Competition Undertakings**") given under the deeds of non-competition dated 2 August 2014 entered into by each of Mr. Pei Wing Fu ("Mr. Pei"), Ms. Lau Kwai Fong ("Mrs. Pei") and Power Key Investments Limited ("Power Key") in favour of the Company and its subsidiaries. The independent non-executive Directors were not aware of any non-compliance of the Non-Competition Undertakings given by Mr. Pei, Mrs. Pei and Power Key from the date of the Non-Competition Undertakings and up to the date of this annual report. Each of Mr. Pei, Mrs. Pei and Power Key has confirmed that he/she/it had complied with the Non-Competition Undertakings given by him/her/it from the date of the Non-Competition Undertakings and up to the date of the termination of the Deed of Non-competition against him/her/it during the Reporting Period.

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

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

CORPORATE GOVERNANCE CODE

Throughout the Reporting Period, the Company has complied with the applicable code provisions of the Code except for the deviations from code provision A.2.1, A.5.1 and A.6.7 of the Code which are explained in the section headed "Compliance with the Corporate Governance Code" of the Corporate Governance Report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "Code of Conduct"). Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct throughout the Reporting Period.

INTERESTS OF COMPLIANCE ADVISER

As at the date of this annual report, as notified by the Company's compliance adviser, Dakin Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 29 January 2016, neither the Compliance Adviser 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.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Reporting Period. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors.

EVENTS AFTER THE REPORTING PERIOD

Details of important events affecting the Group after the end of the Reporting Period are set out in the paragraph headed "Events after the Reporting Period" in the Management Discussion and Analysis section of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information that is publicly available to the Company, at least 25% of the Company's issued share capital were held by the public as at the date of this report.

AUDITORS

HLB Hodgson Impey Cheng Limited ("HLB") resigned as the auditors of the Group with effect from 23 November 2016. In accordance with the Articles and with the recommendation from the audit committee of the Company, the Board resolved to appoint ZHONGHUI ANDA CPA Limited ("ZH") as the new auditor of the Group to fill the casual vacancy on the even date following the resignation of HLB and to hold office until the conclusion of the next annual general meeting of the Company. Save as disclosed above, there were no other changes in auditor of the Company during the past three years.

On behalf of the Board
Che Xiaoyan
Chairperson

Hong Kong, 24 March 2017

INDEPENDENT AUDITOR'S REPORT

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF
GLORY FLAME HOLDINGS LIMITED
朝威控股有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Glory Flame Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 99, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

TRADE AND OTHER RECEIVABLES

Refer to Note 21 to the consolidated financial statements

The Group tested the amount of trade and other receivables for recoverability. The implication of recoverability review is significant to our audit because the balance of trade and other receivables of approximately HK$101,929,000 as at 31 December 2016 is material to the consolidated financial statements. In addition, the Group's recoverability review involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers and debtors;
- Assessing the Group's relationship and transaction history with the customers and debtors;
- Evaluating the Group's recoverability assessment;
- Assessing ageing of the debts;
- Assessing creditworthiness of the customers and debtors;
- Checking subsequent settlements from the customers and debtors; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements;

We consider that the Group's recoverability review for trade and other receivables is supported by the available evidence.

GOODWILL

Refer to Note 18 to the consolidated financial statements

The Group is required to annually test the amount of goodwill for impairment. The implication of annual impairment test is significant to our audit because the balance of goodwill of approximately HK$52,665,000 as at 31 December 2016 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the identification of the related cash generating units;
- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation reports and communicate with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Assessing the arithmetical accuracy of the value-in-use calculations;
- Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates); and
- Checking input data to supporting evidence.

We consider that the Group's impairment test for goodwill is supported by the available evidence.

INDEPENDENT AUDITOR'S REPORT (continued)

CONTINGENT CONSIDERATION

Refer to Notes 6 and 11 to the consolidated financial statements

The Group measured its contingent consideration at fair value with the changes in fair value recognised in the consolidated profit or loss. This fair value measurement is significant to our audit because the balance of contingent consideration of approximately HK$21,889,000 as at 31 December 2016 and the fair value loss of approximately HK$1,142,000 for the year then ended are material to the consolidated financial statements. In addition, the Group's fair value measurement involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation reports and communicate with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence;
- Checking arithmetical accuracy of the valuation model; and
- Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's fair value measurement of the contingent consideration is supported by the available evidence.

OTHER INFORMATION

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (continued)

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Pang Hon Chung
Audit Engagement Director
Practising Certificate Number P05988

Hong Kong, 24 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	7	**128,964**	90,260
Cost of sales		**(101,504)**	(59,627)
Gross profit		**27,460**	30,633
Other income and net gains	8	**542**	393
Share-based payments		**(13,023)**	–
Loss on disposal of financial assets at fair value through profit or loss		**(8,662)**	–
Fair value loss on contingent consideration		**(1,142)**	–
Impairment losses on various assets	13	**(28,261)**	(31)
Administrative and other operating expenses		**(41,918)**	(17,024)
Operating (loss)/profit		**(65,004)**	13,971
Finance costs	10	**(1,998)**	(308)
(Loss)/profit before income tax		**(67,002)**	13,663
Income tax	12	**(2,241)**	(3,049)
(Loss)/profit for the year	13	**(69,243)**	10,614
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**8**	–
Total other comprehensive income for the year		**8**	–
Total comprehensive (loss)/income for the year		**(69,235)**	10,614
(Loss)/profit for the year attributable to:			
Owners of the Company		**(68,092)**	10,614
Non-controlling interests		**(1,151)**	–
		(69,243)	10,614
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(68,075)**	10,614
Non-controlling interests		**(1,160)**	–
		(69,235)	10,614
(Loss)/earnings per share	16		
Basic (cents per share)		**(9.92)**	1.71
Diluted (cents per share)		**(9.92)**	1.71

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	17	**16,668**	14,167
Goodwill	18	**52,665**	–
Intangible assets	19	**5,880**	–
		75,213	14,167
Current assets			
Inventories	20	**248**	1,272
Trade and other receivables	21	**101,929**	35,816
Bank and cash balances	22	**26,697**	95,528
		128,874	132,616
Current liabilities			
Trade and other payables	23	**20,595**	7,101
Loan from a director	25	**–**	55,000
Loan from a former director	25	**50,000**	–
Finance lease payables	24	**–**	730
Tax payable		**562**	928
		71,157	63,759
Net current assets		**57,717**	68,857
Total assets less current liabities		**132,930**	83,024
Non-current liabilities			
Contingent consideration		**21,889**	–
Deferred tax liabilities	26	**838**	1,431
		22,727	1,431
NET ASSETS		**110,203**	81,593
Capital and reserves			
Share capital	27	**7,600**	6,200
Reserves		**103,588**	75,393
Equity attributable to owners of the Company		**111,188**	81,593
Non-controlling interests		**(985)**	–
TOTAL EQUITY		**110,203**	81,593

The consolidated financial statements on pages 52 to 99 were approved and authorised for issue by the Board of Directors on 24 March 2017 and are signed on its behalf by:

Che Xiaoyan	**Yang Nina**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Share-based payment reserve HK$'000	Foreign currency translation reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2015	6,200	34,025	15,800	–	–	14,954	70,979	–	70,979
Total comprehensive income for the year	–	–	–	–	–	10,614	10,614	–	10,614
Balance at 31 December 2015	6,200	34,025	15,800	–	–	25,568	81,593	–	81,593
Balance at 1 January 2016	6,200	34,025	15,800	–	–	25,568	81,593	–	81,593
Total comprehensive loss for the year	–	–	–	–	17	(68,092)	(68,075)	(1,160)	(69,235)
Issue of shares on placement	900	63,247	–	–	–	–	64,147	–	64,147
Issue of shares for acquisition of subsidiaries	500	20,000	–	–	–	–	20,500	–	20,500
Acquisition of subsidiaries	–	–	–	–	–	–	–	175	175
Share-based payments	–	–	–	13,023	–	–	13,023	–	13,023
Lapse of share options	–	–	–	(1,736)	–	1,736	–	–	–
Balance at 31 December 2016	7,600	117,272	15,800	11,287	17	(40,788)	111,188	(985)	110,203

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Cash flows from operating activities		
(Loss)/profit before income tax	(67,002)	13,663
Adjustments for:		
Depreciation	6,096	7,089
Interest income	(3)	(62)
Gain on disposals of property, plant and equipment	–	(112)
Share-based payment	13,023	–
Fair value loss on contingent consideration	1,142	–
Impairment losses on various assets	28,261	31
Interest expenses	1,998	308
Operating (loss)/profit before working capital changes	(16,485)	20,917
Change in inventories	1,024	(615)
Change in trade and other receivables	(94,021)	(8,816)
Change in trade and other payables	13,487	759
Net cash (used in)/generated from operations activities	(95,995)	12,245
Income tax paid	(3,200)	(3,243)
Net cash (used in)/generated from operating activities	(99,195)	9,002
Cash flows from investing activities		
Purchases of property, plant and equipment	(8,597)	(5,187)
Additions of intangible assets	(5,880)	–
Acquisition of subsidiaries	(11,589)	–
Proceeds from disposal of property, plant and equipment	–	141
Interest received	3	62
Net cash used in investing activities	(26,063)	(4,984)
Cash flows from financing activities		
Proceeds from placement of shares	64,147	–
Loan from a director	–	55,000
Repayment of loan from a former director	(5,000)	–
Repayment of finance leases	(730)	(4,309)
Repayment of bank borrowings	–	(72)
Interest paid on loan from a former director	(1,992)	–
Interest paid on finance leases	(6)	(103)
Interest paid on bank borrowings	–	(2)
Net cash generated from financing activities	56,419	50,514
Net (decrease)/increase in cash and cash equivalents	(68,839)	54,532
Effect of foreign exchange rate changes	8	–
Cash and cash equivalents at beginning of the year	95,528	40,996
Cash and cash equivalents at end of reporting period, Represented by bank and cash balances	26,697	95,528

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

Glory Flame Holdings Limited (the "Company") was incorporated in the Cayman Islands on 25 April 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company's principal place of business in Hong Kong has been changed from Suites 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong to Room 1901, 19th Floor, COFCO Tower, No. 262 Gloucester Road, Causeway Bay, Hong Kong. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 33 to the consolidated financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of contingent consideration which is carried at its fair values. These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

3.1 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

3.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Foreign currency translation (Continued)

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

- Plant and machinery : 25%
- Furniture and fixtures : 20%
- Motor vehicles : 25%
- Decoration : 20%
- Office equipment : 25%

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Property, plant and equipment (Continued)

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

3.5 Leases

(a) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(b) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated over the shorter of the lease term and their estimated useful lives.

3.6 Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's Ecological LED Cultivation Cabinet System business is recognised only if all of the following conditions are met:

- An asset is created that can be identified (such as software and new processes)
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 3 years. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.8 Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded in the statement of financial position at the amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the statement of financial position as "Gross amount due from customers for contract work". When progress billings exceed costs incurred plus recognised profits less recognised losses, the surplus is recorded in the statement of financial position as "Gross amount due to customers for contract work". Progress billings not yet paid by the customer are included in the statement of financial position under "Trade receivables". Amounts received before the related work is performed are included in the statement of financial position under "Trade payables".

3.9 Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

3.11 Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

3.12 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3.14 Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

3.15 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of manufactured goods and trading of raw materials are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract; and revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Revenue recognition (Continued)

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

3.17 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

3.18 Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.20 Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.21 Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3.23 Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except goodwill, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.24 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

3.25 Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was approximately HK$52,665,000.

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(c) Fair value of contingent consideration

The fair values of the contingent consideration at the date of completion of acquisition and the end of the reporting period were determined using discounted cash flow and probability to meet the target financial performance. Where the estimation on these factors is different from those previously estimated, such differences will impact the fair value gain or loss of the contingent consideration in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

(d) Recoverability of internally-generated intangible asset

During the year, the Group reconsidered the recoverability of its internally-generated intangible asset arising from the Group's Ecological LED Cultivation Cabinet System business, which is included in its consolidated statement of financial position at 31 December 2016 at approximately HK$5,880,000. The project continues to progress in a very satisfactory manner, and customer reaction has reconfirmed the Group's previous estimates of anticipated revenues from the project. However, increased competitor activity has caused the Group to reconsider its assumptions regarding future market shares and anticipated margins on these products. Detailed sensitivity analysis has been carried out and the Group is confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods, if future market activity indicates that such adjustments are appropriate.

(e) Property, plant and equipment and depreciation and impairment

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group has minimal exposure to foreign currency risk to foreign exchange risk.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

5. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

The carrying amount of the cash and bank balances and trade and other receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The credit risk on cash and bank balances and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise credit risk, the Directors review the recoverable amount of each individual receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable receivable. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

At the end of the reporting period, the Group had certain concentration of credit risk as approximately 10% (2015: 22%) and 40% (2015: 51%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All of the Group's financial liabilities are due within one year.

(d) Interest rate risk

As the Group's loan from a former director/loan from a director bears interests at fixed interest rates, therefore the Group's operating cash flows are substantially independent of change in market interest rate.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

5. FINANCIAL RISK MANAGEMENT (Continued)

(f) Categories of financial instruments at 31 December

	2016 HK$'000	2015 HK$'000
Financial assets:		
Loan and other receivables:		
Trade and other receivables	**50,842**	35,033
Bank and cash balances	**26,697**	95,528
	77,539	130,561
Financial liabilities:		
Financial liabilities at amortised cost:		
Trade and other payables	**20,595**	7,101
Loan from a former director/loan from a director	**50,000**	55,000
	70,595	62,101

6. FAIR VALUE MEASUREMENTS

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

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

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

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

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

6. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy at 31 December 2016:

	Fair value measurements using:			Total
	Level 1	**Level 2**	**Level 3**	**2016**
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements:				
Contingent consideration	–	–	21,889	21,889
Total recurring fair value measurements	–	–	21,889	21,889

During the year ended 31 December 2016, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3 (2015: nil). The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the board of directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the board of directors at least twice a year.

The Group's contingent consideration were valued at their fair values at 31 December 2016. The fair values were valued by Ascent Partners Valuation Service Limited (2015: N/A), an independent professionally qualified valuer which holds a recognised relevant professional qualification and has recent experience in valuation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

6. FAIR VALUE MEASUREMENTS (Continued)

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

	Contingent consideration HK$'000
Acquisition of subsidiaries	20,747
Total losses recognised in profit or loss for liabilities held at end of reporting period	1,142
At the end of reporting period	21,889

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

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2016:

Key unobservable inputs used in level 3 fair value measurements are mainly:

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2016 HK$'000
Contingent consideration	Discounted cash flow	Weighted average cost of capital	13.73% – 14.63%	Decrease	
		Long-term revenue growth rate	12.7%	Increase	
		Long-term pre-tax operating margin	9.5% - 10.7%	Increase	
		Discount of lack of marketability	16.11%	Decrease	
					21,889

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

7. REVENUE

The Group's revenue is analysed as follows:

	2016 HK$'000	2015 HK$'000
Revenue		
Provision of concrete demolition services	87,660	90,260
Trading of LED light sources for decoration	31,074	–
Manufacturing and trading of prestressed high strength concrete piles	9,586	–
Trading of LED Cultivation Cabinet	644	–
	128,964	90,260

8. OTHER INCOME AND NET GAINS

	2016 HK$'000	2015 HK$'000
Bank interest income	3	62
Gain on disposals of property, plant and equipment	–	112
Reversal of impairment losses on trade and retention receivables	101	120
Exchange gain/(loss)	152	(39)
Others *(Note)*	286	138
	542	393

Note: Included in "Others" was government grants of approximately HK$225,000 received by the Group during the year ended 31 December 2016 (2015: HK$137,000). There are no unfulfilled conditions or contingencies relating to these grants.

9. SEGMENT INFORMATION

The Group has four reportable segments as follows:

Construction related services	Provision of concrete demolition services
LED products	Trading of LED light sources for decoration
Prestressed high strength concrete piles	Manufacturing and trading of prestressed high strength concrete piles
Ecological LED Cultivation Cabinet System	Trading of LED Cultivation Cabinet

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

9. SEGMENT INFORMATION (Continued)

The accounting policies of the reportable and operating segments are the same as those described in note 3 to the consolidated financial statements. Segment profits or losses do not include interest income, income tax, gains or losses from investments and other unallocated corporate income and expenses. Segment assets do not include bank and cash balance and other unallocated corporate assets. Segment liabilities do not include loan from a former director, current tax liabilities, deferred tax liabilities and other unallocated corporate liabilities.

Information about reportable segment profit or loss, assets and liabilities:

	Construction related services	LED products	Prestressed high strength concrete piles	Ecological LED Cultivation Cabinet System	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2016:					
Revenue from external customers	87,660	31,074	9,586	644	128,964
Segment profit/(loss)	12,838	(44,003)	(1,008)	(1,041)	(33,214)
Depreciation	5,893	203	–	–	6,096
Impairment loss on trade receivables, net	227	22,876	–	–	23,103
Impairment loss on trade deposits	–	5,158	–	–	5,158
Additions to segment non-current assets	371	4,425	–	3,801	8,597
At 31 December 2016:					
Segment assets	43,073	40,260	63,371	26,752	173,456
Segment liabilities	5,332	3,461	32,476	177	41,446
Year ended 31 December 2015:					
Revenue from external customers	90,260	–	–	–	90,260
Segment profit	18,960	–	–	–	18,960
Depreciation	7,089	–	–	–	7,089
Impairment loss on trade receivables, net	83	–	–	–	83
Additions to segment non-current assets	7,757	–	–	–	7,757
At 31 December 2015:					
Segment assets	50,665	–	–	–	50,665
Segment liabilities	7,029	–	–	–	7,029

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

9. SEGMENT INFORMATION (Continued)

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

	2016 HK$'000	2015 HK$'000
Profit or loss:		
Total profit or loss of reportable segments	(33,214)	18,960
Share-based payments	(13,023)	–
Loss on disposal of financial assets at fair value through profit or loss	(8,662)	–
Corporate and unallocated profit or loss	(12,103)	(5,297)
Consolidated profit or loss before tax	(67,002)	13,663
Assets:		
Total assets of reportable segments	173,456	50,665
Bank and cash balances	26,697	95,528
Corporate and unallocated assets	3,934	590
Consolidated total assets	204,087	146,783
Liabilities:		
Total liabilites of reportable segments	41,446	7,029
Loan from a former director/a director	50,000	55,000
Corporate and unallocated liabilities	2,438	3,161
Consolidated total liabilities	93,884	65,190

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

9. SEGMENT INFORMATION (Continued)

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

	2016 HK$'000	2015 HK$'000
LED products segment		
Customer A	25,607	–
Construction related services segment		
Customer B	7,866	14,274

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

	2016 HK$'000	2015 HK$'000
Non-current assets		
Hong Kong	61,776	14,167
The People's Republic of China (the "PRC")	13,437	–
	75,213	14,167

10. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on finance leases	6	103
Interest on bank borrowings	–	2
Interest on loan from a former director / a director	1,992	203
	1,998	308

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

11. ACQUISITION OF SUBSIDIARIES

On 8 November 2016, the Group acquired 51% of the issued share capital of Mansion Point International Limited (the "Mansion Point") and its subsidiaries including 南靖高科建材有限公司("南靖高科"), engaging in the business of manufacturing and trading of prestressed high strength concrete piles, for a total agreement consideration of HK$66,000,200 which comprised a cash consideration HK$11,600,000 and 142,000,000 ordinary shares (the "Consideration Shares") of the Company at HK$0.3831. 50,000,000 Consideration Shares have been allotted and issued during the year. Under the contingent consideration arrangement, 42,000,000 and 50,000,000 of the Consideration Shares (the "Second and Third installment") will be allotted and issued within fifteen days after the announcement of annual results of the Company for the years ended 31 December 2017 and 31 December 2018 respectively. The Second and Third installment will be adjusted subject to the audited net profit of 南靖高科 for the year ended 31 December 2017 and 31 December 2018 respectively. The range of potential Consideration Shares that the Group could be required to allot and issue under the contingent consideration arrangement is between zero and 92,000,000.

Mansion Point is an investment holding company. The principal activities of Mansion Point's subsidiaries are manufacturing and trading of prestressed high strength concrete piles.

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

	HK$'000
Bank and cash balances	11
Other receivables	353
Other payables	(7)
Total identifiable net assets at fair value	357
Non-controlling interests	(175)
Goodwill	52,665
Consideration transferred	52,847
Satisfied by:	
Cash	11,600
50,000,000 ordinary shares at fair value on completion date	20,500
Contingent consideration at fair value on completion date	20,747
	52,847

Analysis of net outflow of cash and cash equivalents in respect of acquisition of subsidiaries:	HK$'000
Total cash consideration	11,600
Cash and cash equivalents acquired	(11)
	11,589

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

11. ACQUISITION OF SUBSIDIARIES (Continued)

Mansion Point Group contributed revenue of approximately HK$9,586,000 to the Group's revenue and profit of approximately HK$134,000 to the Group's results for the year between the date of acquisition and the end of the reporting year.

If the acquisition had been completed on 1 January 2016, total Group's revenue for the year would be unchanged, and loss for the year would have been approximately HK$69,276,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is intended to be a projection of future results.

Acquisition-related costs of approximately HK$158,000 have been recognised as expenses during the year.

12. INCOME TAX

	2016 HK$'000	2015 HK$'000
Current tax – Hong Kong profits tax:		
Provision for the year	2,819	2,964
Under/(over)-provision in prior years	15	(72)
	2,834	2,892
Deferred tax *(Note 26)*	(593)	157
Income tax expense	2,241	3,049

Hong Kong Profits Tax is provided at 16.5% (2015: 16.5%) based on the assessable profit for the year.

No provision for the PRC Enterprise Income Tax made as the subsidiaries operating in the PRC have no assessable profits for both years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

12. INCOME TAX (Continued)

The reconciliation between the income tax expense and (loss)/profit before tax is as follows:

	2016 HK$'000	2015 HK$'000
(Loss)/profit before tax	(67,002)	13,663
Tax at domestic income tax rate of 16.5% (2015: 16.5%)	(11,055)	2,254
Tax effect of income that is not taxable	(15)	(63)
Tax effect of expenses that are not deductible	12,812	40
Tax effect of temporary differences not recognised	613	881
Effect of different tax rates of subsidiaries	(145)	–
Over-provision in prior years	15	(72)
Others	16	9
Income tax expense	2,241	3,049

13. (LOSS)/PROFIT FOR THE YEAR

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

	2016 HK$'000	2015 HK$'000
Cost of inventories sold	101,504	59,627
Depreciation	6,096	7,089
Gain on disposals of property, plant and equipment	–	(112)
Impairment loss on various assets		
Trade receivables	23,103	31
Trade deposits	5,158	–
	28,261	31
Fair value loss on contingent consideration	1,142	–
Staff costs (including directors' remuneration – note 14)		
Salaries, bonus and allowances	26,006	19,597
Share-based payments	11,287	–
Retirement benefits scheme contributions	901	802
	38,194	20,399
Share-based payments to consultant	1,736	–
Auditor's remuneration	790	600

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

The remuneration of each director for the year ended 31 December 2016 is set out below:

	Notes	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payments HK$'000	Employer's contribution to a retirement scheme HK$'000	Total HK$'000
Executive Directors						
Mr. Pei Wing Fu	1	–	1,200	–	18	1,218
Ms. Pei Wing Sze, Clare	2	–	1,200	–	18	1,218
Mr. Liu Zhong Ping		–	380	2,480	–	2,860
Ms. Che Xiaoyan	3	–	719	2,480	–	3,199
Mr. Chong Yu Keung	4	–	182	–	5	187
Mr. Man Wai Lun	5	–	88	–	2	90
Non-executive Directors						
Mr. Zheng Si Rong		120	–	–	–	120
Mr. Wong Tik Tung	6	33	–	–	–	33
Independent Non-executive Directors						
Prof. Lam Sing Kwong Simon	7	30	–	–	–	30
Mr. Law Yiu Sing	8	7	–	–	–	7
Ms. Wong Wai Ling	9	30	–	–	–	30
Ms. Lee Suk Fong	10	77	–	–	–	77
Mr. Tsang Wai Wa	11	46	–	–	–	46
Mr. Bai Hong Hai	12	72	–	–	–	72
Mr. Chan Kam Wah	13	72	–	–	–	72
Mr. Liu Ping	14	120	–	248	–	368
Total for 2016		607	3,769	5,208	43	9,627

14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (Continued)

The remuneration of each director for the year ended 31 December 2015 is set out below:

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payments HK$'000	Employer's contribution to a retirement scheme HK$'000	Total HK$'000
Executive Directors					
Mr. Pei Wing Fu	–	936	–	18	954
Ms. Pei Wing Sze, Clare	–	936	–	18	954
Mr. Liu Zhong Ping	–	113	–	–	113
Ms. Che Xiaoyan	–	–	–	–	–
Mr. Chong Yu Keung	–	–	–	–	–
Non-executive Director					
Mr. Zheng Si Rong	114	–	–	–	114
Independent Non-executive Directors					
Prof. Lam Sing Kwong Simon	120	–	–	–	120
Mr. Law Yiu Sing	120	–	–	–	120
Ms. Wong Wai Ling	120	–	–	–	120
Ms. Lee Suk Fong	31	–	–	–	31
Mr. Tsang Wai Wa	8	–	–	–	8
Mr. Liu Ping	8	–	–	–	8
Total for 2015	521	1,985	–	36	2,542

During the year ended 31 December 2016, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2015: Nil). Neither the chief executive nor any of the directors has waived or agreed to waive any emoluments during the year ended 31 December 2016 (2015: Nil).

Notes:

1 Resigned on 1 October 2016

2 Resigned on 26 October 2016

3 Appointed on 22 January 2016

4 Appointed on 1 February 2016 and ceased on 20 May 2016

5 Appointed on 26 October 2016

6 Appointed on 23 September 2016 and suspended on 7 March 2017

7 Resigned on 22 March 2016

8 Resigned on 22 January 2016

9 Resigned on 22 March 2016

10 Ceased on 20 May 2016

11 Ceased on 20 May 2016

12 Appointed on 27 May 2016

13 Appointed on 27 May 2016

14 Resigned on 10 March 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (Continued)

Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2015: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2015: three) individuals, one of them falling within the band of HK$1,000,001 to HK$1,500,000 and the other individuals falling within the band of HK$2,000,001 to HK$2,500,000 (2015: all falling within HK$nil to HK$1,000,000), for the year, are set out below:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	745	1,545
Discretionary bonuses	–	95
Share-based payments	2,759	–
Contribution to pension scheme	23	54
	3,527	1,694

Save as disclosed above, for the two years ended 31 December 2016 and 2015, no other emoluments had been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group.

15. DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2016 (2015: nil).

16. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic loss (2015: earnings) per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$68,092,000 (2015: profit attributable to owners of the Company of approximately HK$10,614,000) and the weighted average number of ordinary shares of 686,639,000 (2015: 620,000,000) in issue during the year.

Diluted (loss)/earnings per share

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2016 and there were no potential ordinary shares for the year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

17. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Decoration HK$'000	Office equipment HK$'000	Total HK$'000
Cost						
At 1 January 2015	31,042	1,647	8,150	4,071	42	44,952
Additions	5,325	–	2,431	–	22	7,778
Disposals	(63)	–	(894)	–	–	(957)
At 31 December 2015 and 1 January 2016	36,304	1,647	9,687	4,071	64	51,773
Additions	4,155	14	–	3,885	543	8,597
At 31 December 2016	40,459	1,661	9,687	7,956	607	60,370
Accumulated depreciation						
At 1 January 2015	19,502	1,605	6,799	3,532	7	31,445
Charge for the year	6,052	24	807	195	11	7,089
Disposals	(34)	–	(894)	–	–	(928)
At 31 December 2015 and 1 Janaury 2016	25,520	1,629	6,712	3,727	18	37,606
Charge for the year	4,804	5	963	233	91	6,096
At 31 December 2016	30,324	1,634	7,675	3,960	109	43,702
Net book value						
At 31 December 2015	10,784	18	2,975	344	46	14,167
At 31 December 2016	10,135	27	2,012	3,996	498	16,668

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

18. GOODWILL

	HK$'000
Cost:	
Arising on acquisition of subsidiaries (note 11) and at 31 December 2016	52,665
Accumulated impairment losses:	
At 31 December 2016	–
Carrying amount:	
At 31 December 2016	52,665

Goodwill acquired in a business combination is allocated, at acquisition, to the manufacturing and trading of prestressed high strength concrete piles cash generating unit ("CGU") that are expected to benefit from that business combination.

The recoverable amounts of the CGUs are determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 12.70% (2015: N/A). This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's manufacturing and trading of prestressed high strength concrete piles activities is 14.63% (2015: N/A).

19. INTANGIBLE ASSETS

	Internally generated technology HK$'000
Cost:	
Additions during the year and at 31 December 2016	5,880
Accumulated amortisation and impairment losses:	
Charges for the year and at 31 December 2016	–
Carrying amount:	
At 31 December 2016	5,880

The Group's internally generated technology represents the technology for the design and specification of the Group's hydroponics products. The average remaining amortisation period of the internally generated technology is 5 years (2015: N/A).

20. INVENTORIES

	2016 **HK$'000**	2015 HK$'000
Raw materials and consumables	**248**	1,272

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

21. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	69,545	29,559
Less: allowance for impairment of trade receivables	(23,287)	(176)
Trade receivables, net	46,258	29,383
Retention receivables	2,966	5,361
Less: allowance for impairment of retention receivables	(84)	(92)
Retention receivables, net	2,882	5,269
Prepayments and trade deposits	51,087	783
Other deposits and receivables	1,702	381
	101,929	35,816

The Group allows an average credit period of 45 days to its trade customers. The following is ageing analysis of trade receivables based on invoice date is as follows:

	2016 HK$'000	2015 HK$'000
0 - 30 days	18,166	7,693
31 - 60 days	6,708	6,767
61 - 90 days	4,785	3,721
91 - 365 days	13,531	8,759
Over 365 days	3,068	2,443
	46,258	29,383

21. TRADE AND OTHER RECEIVABLES (Continued)

As of 31 December 2016, trade receivables of approximately HK$24,461,000 (2015: HK$22,263,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016 HK$'000	2015 HK$'000
0 - 30 days	7,677	7,275
31 - 60 days	4,247	3,575
61 - 90 days	1,954	3,625
91 - 365 days	7,807	5,519
Over 365 days	2,776	2,269
	24,461	22,263

22. BANK AND CASH BALANCES

As at 31 December 2016, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$119,000 (2015: nil). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

23. TRADE AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables	15,791	4,680
Accruals	2,735	2,421
Other payables	2,069	–
	20,595	7,101

Note:

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

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

	2016 HK$'000	2015 HK$'000
0 - 30 days	10,229	2,380
31 - 60 days	28	114
Over 90 days	5,534	2,186
	15,791	4,680

24. FINANCE LEASE PAYABLES

Lease liabilities are secured as the rights to the leased assets revert to the lessors in the event of default.

	2016 HK$'000	2015 HK$'000
Gross finance lease liabilities – minimum lease payments		
Within a period not exceeding one year	–	739
Within a period of more than one year but not exceeding two years	–	–
	–	739
Future finance charges on finance leases	–	(9)
Present value of finance lease liabilities	–	730

The present value of finance lease liabilities is as follows:

	2016 HK$'000	2015 HK$'000
Within a period not exceeding one year	–	730
Within a period of more than one year but not exceeding two years	–	–
	–	730

It is the Group's policy to lease certain of its plant and machinery under finance leases. The average lease term is 4 years. At 31 December 2016, the average effective borrowing rate was 3.25%-6.25% (2015: 3.25%-6.25%).

The carrying amounts of all finance lease liabilities are denominated in HKD.

25. LOAN FROM A FORMER DIRECTOR / LOAN FROM A DIRECTOR

Included in loan from a former director / loan from a director was an interest-bearing portion of HK$40,000,000 which was unsecured, interest bearing at 5% per annum and repayable on 25 May 2017. Other than the abovementioned, the remaining amount included in loan from a former director / a director was unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

26. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation HK$'000
At 1 January 2015	1,274
Charged to profit or loss *(Note 12)*	157
At 31 December 2015 and 1 January 2016	1,431
Credited to profit or loss *(Note 12)*	**(593)**
At 31 December 2016	**838**

27. SHARE CAPITAL

	Notes	**Number of ordinary shares**	**Ordinary shares** HK$'000
Authorised:			
Ordinary shares of HK$0.01 each:			
As at 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016		**2,000,000,000**	**20,000**

	Notes	**Number of ordinary shares**	**Ordinary shares** HK$'000
Issued and fully paid:			
Ordinary shares of HK$0.01 each:			
As at 1 January 2015, 31 December 2015 and 1 January 2016		620,000,000	6,200
Issue of shares on placement	(a)	90,000,000	900
Issue of shares on acquisition of subsidiaries	(b)	50,000,000	500
As at 31 December 2016		760,000,000	7,600

Notes:

(a) Completion of the share placement took place on 5 May 2016 pursuant to which 90,000,000 placement shares were issued under the placement agreement at the placement price of HK$0.72 per placing share at an aggregate consideration of approximately HK$64,800,000, of which approximately HK$900,000 was credited to share capital and the remaining balance of approximately HK$63,247,000 (net of issuing expenses of approximately HK$653,000) was credited to the share premium account. Details of the placement were set out in the Company's announcements dated 8 April 2016 and 5 May 2016.

(b) 50,000,000 ordinary shares have been allotted and issued as the part of the consideration of the acquisition of Mansion Point Group during the year. An aggregate consideration of approximately HK$20,500,000 of which HK$500,000 was credited to share capital and the remaining balance of HK$20,000,000 was credited to the share premium amount. For details, please refer to note 11 to consolidated financial statements.

28. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position

	2016 HK$'000	2015 HK$'000
Non-current assets		
Property, plant and equipment	16	20
Investments in subsidiaries	63,424	10,577
	63,440	10,597
Current assets		
Trade and other receivables	836	364
Amounts due from subsidiaries	78,770	39
Bank and cash balances	194	79,257
	79,800	79,660
Current liabilities		
Trade and other payables	788	600
Amounts due to subsidiaries	10,360	10,554
	11,148	11,154
Net current assets	68,652	68,506
Total assets less current liabilities	132,092	79,103
Non-current liabilities		
Contingent consideration	21,889	–
NET ASSETS	110,203	79,103
EQUITY		
Capital and reserves		
Share capital	7,600	6,200
Reserve (Note b)	102,603	72,903
Total equity	110,203	79,103

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

28. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement

	Share Premium HK$'000	Share-based payment reserve HK$'000	Special reserve HK$'000 (Note)	(Accumulated losses)/ Retained earnings HK$'000	Total HK$'000
Balance as at 1 January 2015	34,025	–	30,577	(6,656)	57,946
Profit for the year	–	–	–	14,957	14,957
Balance as at 31 December 2015	34,025	–	30,577	8,301	72,903
Balance as at 1 January 2016	34,025	–	30,577	8,301	72,903
Loss for the year	–	–	–	(66,570)	(66,570)
Issue of shares on placement	63,247	–	–	–	63,247
Issue of shares for acquisition of subsidiaries	20,000	–	–	–	20,000
Share-based payment	–	13,023	–	–	13,023
Lapse of share option	–	(1,736)	–	1,736	–
Balance as at 31 December 2016	117,272	11,287	30,577	(56,533)	102,603

Note: Special reserve represents the difference between the fair value of the shares of Ultimate Expert acquired pursuant to the Reorganisation on 8 May 2014 over the nominal value of the Company's share issued in exchange therefore.

29. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Scheme became effective on 2 August 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 0.1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

29. SHARE OPTION SCHEME (Continued)

The offer of a grant of share options may be accepted within 7 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier. Options are forfeited if the employee leaves the Group.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

The following tables disclose the movements in the Company's number of share options during the years:

2016

		Granted during the year	Lapsed/ cancelled during the year	Outstanding at 31 December 2016	Grant date	Vesting period	Exercisable period	Exercise price
Directors								
Ms. Che XiaoYan	2016A	6,200,000	–	6,200,000	14 June 2016	14 June 2016- 15 June 2016	15 June 2016- 14 June 2026	HK$0.83
Mr. Liu Zhong Ping	2016A	6,200,000	–	6,200,000	14 June 2016	14 June 2016- 15 June 2016	15 June 2016- 14 June 2026	HK$0.83
Mr. Liu Ping	2016A	620,000	–	620,000	14 June 2016	14 June 2016- 15 June 2016	15 June 2016- 14 June 2026	HK$0.83
Sub-total		13,020,000	–	13,020,000				
Consultant	2016A	6,200,000	–	6,200,000	14 June 2016	14 June 2016- 14 September 2016	14 September 2016- 13 June 2026	HK$0.83
Other employee	2016A	6,200,000	(6,200,000)	–	14 June 2016	14 June 2016- 15 June 2016	15 June 2016- 14 June 2026	HK$0.83
Other employees	2016B	20,000,000	–	20,000,000	26 August 2016	26 August 2016- 26 November 2016	26 November 2016- 26 August 2026	HK$0.48
Other employee	2016B	6,200,000	–	6,200,000	26 August 2016	26 August 2016- 27 August 2016	27 August 2016- 26 August 2026	HK$0.48
Total		51,620,000	(6,200,000)	45,420,000				

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

29. SHARE OPTION SCHEME (Continued)

The options outstanding at the end of the year have a weighted average remaining contractual life of 9.56 years (2015: N/A).

These fair values were calculated using the binomial option pricing model. The significant inputs into the model are as follows:

	2016A		2016B	
	2016	2015	**2016**	2015
Valuation date	**14/6/2016**	N/A	**26/8/2016**	N/A
Expected volatility	**52.21%**	N/A	**51.90%**	N/A
Expected life	**10 years**	N/A	**10 years**	N/A
Risk free rate	**1.082%**	N/A	**0.912%**	N/A
Expected dividend yield	**0%**	N/A	**0%**	N/A
Underlying stock price	**HK$0.800**	N/A	**HK$0.480**	N/A

The Binomial Tree Option Pricing Model was developed for use in estimating the fair value of traded options and requires input of highly subjective assumptions, including the expected life and stock price volatility. Since the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimates, the Binomial Tree Option Pricing Model does not necessarily provide a reliable measure of the fair value of the share options.

30. MAJOR NON-CASH TRANSACTIONS

On 8 November 2016, the Group acquired 51% of the issued share capital of Mansion Point and its subsidiaries including 南靖高科, engaging in the business of manufacturing and trading of prestressed high strength concrete piles, for a total agreement consideration of HK$66,000,200 which comprised a cash consideration HK$11,600,000 and 142,000,000 ordinary shares (the "Consideration Shares") of the Company at HK$0.3831. 50,000,000 Consideration Shares have been allotted and issued during the year. Under the contingent consideration arrangement, 42,000,000 and 50,000,000 of the Consideration Shares (the "Second and Third Installment") will be allotted and issued within fifteen days after the announcement of annual results of the Company for the year ending 31 December 2017 and 31 December 2018 respectively. The Second and Third Installment will be adjusted subject to the audited net profit of 南靖高科 for the years ended 31 December 2017 and 31 December 2018 respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

31. OPERATING LEASE COMMITMENTS

The Group leases a number of properties under non-cancellable operating lease agreements. The lease terms are between 1 and 3 years (2015: 1-2years).

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

	2016 HK$'000	2015 HK$'000
No later than one year	**2,020**	559
Later than one year and no later than five years	**1,332**	200
	3,352	759

32. RELATED PARTY TRANSACTIONS

(a) The directors of the Company are of the view that the following companies that had transactions or balances with the Group are related parties:

Name	Relationship with the Group
Grandwin Worldwide Resource Limited	A related company controlled by Mr. Pei Wing Fu, the former director resigned on 1 October 2016

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

32. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

Save as disclosed in Note 25 to the consolidated financial statements, the Group had the following transactions with related companies during the year.

	2016 **HK$'000**	2015 HK$'000
Operating lease rental expense on premises paid to: *(Note i)*		
Grandwin Worldwide Resource Limited	**96**	288
Interest on loan from a former director/a director paid to:		
Mr. Pei Wing Fu	**1,992**	203

Note:

(i) In the opinion of the directors, these transactions were entered into in the normal course of business at mutually agreed prices and terms.

(c) The emoluments of the Company's Directors, who are also identified as members of key management of the Group, are set out in note 14.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follow:

Name	Place of incorporation	Issued and paid-up share capital	Percentage of ownership interest/ voting power Direct	Indirect	Principal activities and place of operation
Ultimate Expert Holdings Limited	BVI	USD2,000	100%	–	Investment holding in Hong Kong
Leisure Peace Limited	BVI	USD1	100%	–	Investment holding in Hong Kong
Drillcut Limited	Hong Kong	HK$5,000,000	–	100%	Provision of concrete demolition in Hong Kong
Forever Rise Investment Limited	Hong Kong	HK$1	–	100%	Trading of LED light source for decoration in Hong Kong
深圳市億平米農業科技發展有限公司	PRC	RMB20,000,000	–	51%	Research and sales of hydroponics products in the PRC
南靖高科建材有限公司	PRC	USD300,000	–	51%	Manufacturing and sales of prestressed high strength concrete piles in the PRC

34. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The Directors consider that the new reclassification of the accounting items is more appropriate presentation to reflect the financial results and position of the Group.

35. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authoised for issue by the Board of Directors on 24 March 2017.

FINANCIAL SUMMARY

For the year ended 31 December 2016

A summary of the results and of the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements in this annual report and the prospectus of the Company dated 7 August 2014, is as follows.

	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Revenue	**128,964**	90,260	89,392	74,394
Cost of sales	**(101,504)**	(59,627)	(57,662)	(47,014)
Gross profit	**27,460**	30,633	31,730	27,380
Other income and net gains	**542**	393	1,097	143
Administrative and other operating expenses	**(93,006)**	(17,055)	(24,304)	(14,606)
Operating (loss)/profit	**(65,004)**	13,971	8,523	12,917
Finance costs	**(1,998)**	(308)	(335)	(381)
(Loss)/profit before income tax	**(67,002)**	13,663	8,188	12,536
Income tax expense	**(2,241)**	(3,049)	(3,366)	(2,706)
(Loss)/profit for the year	**(69,243)**	10,614	4,822	9,830
Attributable to:				
Owners of the Company	**(68,092)**	10,614	4,822	9,830
Non-controlling interests	**(1,151)**	–	–	–
	(69,243)	10,614	4,822	9,830
Asset and liabilities				
Total assets	**204,087**	146,783	82,282	42,053
Total liabilities	**(93,884)**	(65,190)	(11,303)	(26,921)
Net assets	**110,203**	81,593	70,979	15,132
Attributable to:				
Owners of the Company	**111,188**	81,593	70,979	15,132
Non-controlling interests	**(985)**	–	–	–
	110,203	81,593	70,979	15,132

The financial summary does not form part of the audited consolidated financial statements.