

Glory Flame Holdings Limited

朝威控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8059

First Quarterly Report 2017

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

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This report, for which the directors (the “Directors”) of Glory Flame Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

FINANCIAL HIGHLIGHT

For the three months ended 31 March 2017, the operating results of the Group were as follows:

- * Revenue amounted to approximately HK\$15.6 million (2016: approximately HK\$27.6 million), representing a decrease of approximately 43.5% from the corresponding period of last year;
- * Net loss amounted to approximately HK\$11.8 million as compared to a net loss of approximately HK\$5.2 million for the corresponding period of last year;
- * Basic and diluted loss per share based on weighted average number of ordinary shares was approximately HK\$1.46 cents (2016: approximately HK\$0.84 cents);
- * The Board does not recommend the payment of a dividend to owners of the Company for the three months ended 31 March 2017 (2016: Nil).

FIRST QUARTERLY RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2017 (the “Reporting Period”), together with the unaudited comparative figures for the corresponding period in 2016, as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the three months ended 31 March 2017

	<i>Notes</i>	Three months ended 31 March	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	15,647	27,641
Cost of sales		<u>(12,687)</u>	<u>(22,354)</u>
Gross profit		2,960	5,287
Other income and net gains	4	545	332
Administrative and other operating expenses		<u>(14,826)</u>	<u>(10,051)</u>
Operating loss		(11,321)	(4,432)
Finance costs		<u>(500)</u>	<u>(496)</u>
Loss before income tax		(11,821)	(4,928)
Income tax expense	5	<u>–</u>	<u>(269)</u>
Loss for the period		<u>(11,821)</u>	<u>(5,197)</u>
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		<u>(83)</u>	<u>–</u>
Total comprehensive loss for the period		<u>(11,904)</u>	<u>(5,197)</u>
Loss for the period attributable to:			
Owners of the Company		(11,198)	(5,197)
Non-controlling interests		<u>(623)</u>	<u>–</u>
		<u>(11,821)</u>	<u>(5,197)</u>
Total comprehensive loss for the period attributable to:			
Owners of the Company		(11,287)	(5,197)
Non-controlling interests		<u>(617)</u>	<u>–</u>
Total comprehensive loss for the period		<u>(11,904)</u>	<u>(5,197)</u>
		HK cents	HK cents
Basic and diluted loss per share	7	<u>(1.46)</u>	<u>(0.84)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2017

	Attributable to owners of the Company								
	Combined/ Share capital	Share premium	Share- based payment	Merger reserves	Foreign currency translation reserve	Retained earnings/ (Accumulated losses)	Total equity	Non- controlling interest	Total equity
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Balance at 1 January 2017	7,600	117,272	11,287	15,800	17	(40,788)	111,188	(985)	110,203
Total comprehensive loss for the period	-	-	-	-	(89)	(11,198)	(11,287)	(617)	(11,904)
Issue of shares upon exercise of share options	262	12,314	-	-	-	-	12,576	-	12,576
Transfer to share premium upon exercise of share options	-	4,343	(4,343)	-	-	-	-	-	-
Share-based payments	-	-	813	-	-	-	813	-	813
Balance at 31 March 2017 (unaudited)	7,862	133,929	7,757	15,800	(72)	(51,986)	113,290	(1,602)	111,688
Balance at 1 January 2016	6,200	34,025	-	15,800	-	25,568	81,593	-	81,593
Total comprehensive loss for the period	-	-	-	-	-	(5,197)	(5,197)	-	(5,197)
Balance at 31 March 2016 (unaudited)	6,200	34,025	-	15,800	-	20,371	76,396	-	76,396

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2017

1. GENERAL INFORMATION

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

The address of the Company's registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company's principal place of business in Hong Kong is Room 1901, 19/F., COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (collectively referred as to the "Group") are engaged 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").

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months ended 31 March 2017 have been prepared by the Directors in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the GEM Listing Rules. HKFRSs include Hong Kong Accounting Standards and interpretations. Intra-group balances and transactions, if any, have been fully and properly eliminated. The accounting policies and basis of preparation adopted in the preparation of the financial statements for the three months ended 31 March 2017 are consistent with those adopted in the annual financial statements of the Company for the year ended 31 December 2016.

The financial statements for the three months ended 31 March 2017 have not been audited by the Company's independent auditors, but have been reviewed by the Company's audit committee.

The financial statements for the three months ended 31 March 2017 are presented in Hong Kong dollars ("HK\$"), which is the same functional currency of the Company.

3. REVENUE

Revenue recognised during the Reporting Period are as follows:

	Three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision of concrete demolition service	14,897	22,123
Manufactory and trading of prestressed high strength concrete piles	441	–
Trading of LED light sources for decoration	–	5,518
Trading of LED Cultivation Cabinet	309	–
	<u>15,647</u>	<u>27,641</u>

4. OTHER INCOME AND NET GAINS

	Three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	–	2
Reversal of provision for impairment of retention receivables	572	46
Others, net	(27)	284
	<u>545</u>	<u>332</u>

5. INCOME TAX EXPENSE

	Three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong profits tax	—	269
	<u> </u>	<u> </u>

Hong Kong profits tax has been provided at a rate of 15% (2016: 15%) on the estimated assessable profit of the Group arising in or derived from Hong Kong for the period as stated above.

6. DIVIDEND

The Board does not recommend the payment of a dividend to owners of the Company for the three months ended 31 March 2017 (2016: Nil).

7. LOSS PER SHARE

	Three months ended	
	31 March	
	2017	2016
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company (HK\$'000)	(11,198)	(5,197)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (in thousand)	764,557	620,000

The calculation of the basic loss per share attributable to owners of the Company was based on (i) the loss for the period attributable to owners of the Company and (ii) the weighted average number of ordinary shares issued during the period as stated above.

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue during the three months ended 31 March 2017 and 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue decreased by approximately HK\$12.0 million or 43.5% from approximately HK\$27.6 million for the three months ended 31 March 2016 (the “PE16”) to approximately HK\$15.6 million for the three months ended 31 March 2017 (the “Reporting Period”). The analysis of revenue was shown as follows:

Revenue by nature

	For the three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
Concrete demolition services	14,897	22,123
Prestressed concrete pile	441	–
LED light sources for decoration	–	5,518
LED Cultivation Cabinet	309	–
	<u>15,647</u>	<u>27,641</u>

Concrete demolition services

For the Reporting Period, the revenue attributable to the provision for concrete demolition services was approximately HK\$14.9 million, representing a decrease of approximately 32.6% as compared with approximately HK\$22.1 million for PE16. The decrease was attributable to the increasing price completion in certain concrete demolition jobs and 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\$0.4 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 Reporting Period, 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, there is no revenue attributable to LED light sources for decoration as the Group suspended the delivery of the goods due to late payment of the invoices from the customer.

LED Cultivation Cabinet

For the Reporting Period, the revenue attributable to LED Cultivation Cabinet was approximately HK\$0.3 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 throughout the PRC.

Gross Profit and Gross Profit Margin

Our Group's gross profit decreased from approximately HK\$5.3 million in PE16 to approximately HK\$3.0 million for the Reporting Period, representing a decrease of approximately 43.4%. Such decrease was mainly due to a decrease in revenue and gross profit margin attributable to the provision of concrete demolition services, resulting from the increasing price competition in certain demolition jobs.

Administrative and Other Operating Expenses

Our Group's general and administrative expenses increased to approximately HK\$14.9 million for the Reporting Period from approximately HK\$10.1 million in PE16. Such increase was mainly due to a product design cost of approximately HK\$1.4 million for LED hydroponic equipment incurred and an increase in legal and professional fee for the Reporting Period.

Loss Attributable to Owners of the Company

Net loss attributable to owners of the Company for the Reporting Period was approximately HK\$11.3 million (PE16: approximately HK\$5.2 million), mainly due to a decrease in total revenue and gross profit for the Group and an increase in administrative expenses, including product design cost for LED hydroponic equipment.

BUSINESS REVIEW AND OUTLOOK

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 March 2017, the Group has not commenced the manufacturing of prestressed concrete piles.

(ii) LED Products

(a) LED light sources for decoration

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 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. 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.

The business of trading of LED light sources for decoration of the Group was to deliver finished goods to an importer in the United States. During the Reporting Period, the Group suspended the delivery of goods to the customer in response to its late payment.

(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. For the Reporting Period, it contributed revenue of approximately HK\$0.3 million to the Group.

DISCLOSURE OF INTERESTS

A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporation

As at 31 March 2017, 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	0.79%
Mr. Liu Ping (resigned on 10 March 2017)	Beneficial owner	620,000	0.08%
Mr. Liu Zhongping	Beneficial owner	6,200,000	0.79%
Mr. Li Shunmin	Interest in controlled corporation (<i>Note 1</i>)	9,780,000	1.24%
Ms. Jiao Fei	Beneficial owner	5,000,000	0.64%
Ms. Yang Nina	Beneficial owner	5,000,000	0.64%

Note 1: The 9,780,000 shares of the Company are held by Shenzhen Qianhai States Purchased Equity Investment Fund Management Co.* (深圳市前海國購股權投資基金管理有限公司), which is indirectly owned as to 99% by Mr. Li Shunmin.

* English translation is for identification only

(ii) As at 31 March 2017, none of the Directors or chief executive nor their associates had any short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations.

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

Save as disclosed below, as at 31 March 2017, no person other than certain Directors or chief executive of the Company had any interests or short positions in the Shares and underlying Shares 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 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/ interested in	Long/short position	Approximate percentage of shareholding
Mo Yubin (<i>Note 1</i>)	Beneficial owner	142,000,000	Long	18.06%
Wu Xiong Bin	Beneficial owner	86,000,000	Long	10.94%
Ma Xue Zhong	Beneficial owner	50,000,000	Long	6.36%

Note 1: 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 Sales Purchase Agreement.

There are maximum 92,000,000 new Shares as consideration shares to be issued to Mr. Mo as second and third instalments of the consideration 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.

COMPETING INTERESTS

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

PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

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

CORPORATE GOVERNANCE CODE

The Corporate Governance Code (“the Code”) in Appendix 15 to the GEM Listing Rules sets out the principles of good corporate governance, code provisions and recommended best practices. Issuers are expected to comply with the code provisions or devise their own code on corporate governance on the terms they consider appropriate provided that considered reasons are given. Throughout the Reporting Period, the Company had complied with the applicable code provisions of the Code with the exception of the deviation from code provision A.2.1 as explained below:

Code provision A.2.1 of the Code requires that the roles of chairman and chief executive officer should be separate and not performed by the same individual. During the Reporting Period, Ms. Che Xiaoyan (“Ms. Che”) is both Chairman and CEO of the Group. The Board is of the opinion that vesting the roles of both Chairman and CEO in Ms. Che has the benefit of ensuring consistent leadership within the Group thus enabling more effective and efficient strategic planning for the Group. The Board also believes that the balance of power and authority is not compromised and is adequately ensured by the composition of the existing Board. Except for the deviation from code provision A.2.1 of the Code, the Company’s corporate governance practices have complied with the Code as set out in Appendix 15 to the GEM Listing Rules during the Report Period.

The Company has four independent non-executive directors of the Company for the period from 10 March 2017 to the date of this report, the number of which fall below one-third of the Board members as required under Rule 5.05A of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

DIVIDEND

The Board does not recommend payment of a dividend to owners of the Company for the three months ended 31 March 2017 (2016: nil).

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme on 2 August 2014. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

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

On 27 March 2017, 10,380,000 options to subscribe for up to a total of 10,380,000 ordinary shares of HK\$0.01 each of the Company were granted to certain employees under the Share Option Scheme. The exercise price is HK\$0.80 per share, which is equal to the closing price of the Share on the date of grant. The average closing price of the shares on the five trading days immediately preceding the date of grant was HK\$0.672 per share. The share options may be exercised within the period from 28 May 2017 to 27 May 2027.

26,200,000 options were exercised during the Reporting Period and no option was forfeited or lapsed during the Reporting Period.

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

Name of Director	Date of grant	Outstanding at 1 January 2017/ Date of appointment	Number of share option		Outstanding at 31 March 2017	Exercise period	Exercise price per share
			Granted during the Reporting Period	Exercised during the Reporting Period			
<i>Executive Directors</i>							
Ms. Che Xiaoyan	14 June 2016	6,200,000	-	-	6,200,000	15 June 2016 to 14 June 2026	HKS0.83
Mr. Liu Zhong Ping	14 June 2016	6,200,000	-	-	6,200,000	15 June 2016 to 14 June 2026	HKS0.83
Ms. Jiao Fei (Note 1)	26 August 2016	5,000,000	-	(5,000,000)	-	26 November 2016 to 26 August 2026	HKS0.48
Ms. Yang Nina (Note 1)	26 August 2016	5,000,000	-	(5,000,000)	-	26 November 2016 to 26 August 2026	HKS0.48
<i>Independent non-executive Director</i>							
Mr. Liu Ping	14 June 2016	620,000	-	-	620,000	15 June 2016 to 14 June 2026	HKS0.83
		23,020,000	-	(10,000,000)	13,020,000		

b) Share options granted to a consultant

The Group engaged a consultant to assist in research and exploration of property construction related business opportunities in the People's Republic of China.

During the Reporting Period, no share options granted to the consultant was exercised and lapsed.

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

Date of grant	Exercise period	Exercise price per share (HK\$)	Number of options			Vesting conditions
			Outstanding at 1 January 2017	Granted during the Reporting Period	Outstanding at 31 March 2017	
14 June 2016	14 September 2016 – 13 June 2026	0.83	6,200,000	–	6,200,000	3-month vesting period

c) Fair values of share options and assumptions

During the Reporting Period, a total of share option expense of HK\$813,000 was recognized in the income statement in relation to share options granted by the Company. Details of share-based payment by nature are as follows:

	Three months ended 31 March	
	2017 HK\$'000	2016 HK\$'000
Share option expenses for employees of the Company	813	–

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

	Employees and directors			Consultant
	14 June 2016	26 August 2016	27 March 2017	14 June 2016
Date of grant	14 June 2016	26 August 2016	27 March 2017	14 June 2016
Number of share options granted	19,220,000	26,200,000	10,380,000	6,200,000
Underlying stock price	HK\$0.80	HK\$0.48	HK\$0.80	HK\$0.80
Strike price	HK\$0.83	HK\$0.48	HK\$0.80	HK\$0.83
Expected volatility	52.21%	51.90%	52.19%	52.21%
Exercise multiple	1.60-2.47	1.60	1.10	1.60
Risk-free rate	1.082%	0.912%	1.714%	1.082%
Annualised dividend yield	0.00%	0.00%	0.00%	0.00%

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

CHANGE IN INFORMATION OF DIRECTORS

The changes in information of the directors of the Company subsequent to the year ended 31 December 2016 are set out below:

Name of director	Details of the change
Ms. Jiao Fei (“Ms. Jiao”)	On 17 February 2017, Ms. Jiao was appointed as an executive director of the Company.
Ms. Yang Nina (“Ms. Yang”)	On 17 February 2017, Ms. Yang was appointed as an executive director of the Company.
Mr. Li Shunmin (“Mr. Li”)	On 17 February 2017, Mr. Li was appointed as an executive director of the Company. On 10 March 2017, Mr. Li was appointed as the vice chairman of the Board.
Mr. Guan Jincheng (“Mr. Guan”)	On 17 February 2017, Mr. Guan was appointed as an executive director of the Company. On 10 March 2017, Mr. Guan was appointed as a member of the Remuneration Committee.
Ms. Wu Chunping (“Ms. Wu”)	On 17 February 2017, Ms. Wu was appointed as an independent non-executive director of the Company.
Mr. Li An Sheng (“Mr. Li”)	On 17 February 2017, Mr. Li was appointed as an independent non-executive director of the Company. On 10 March 2017, Mr. Li was appointed as a member of the Audit Committee, a chairman of the Remuneration Committee and a member of the Nomination Committee.
Mr. Shen Xingxing (“Mr. Shen”)	On 17 February 2017, Mr. Shen was appointed as an independent non-executive director of the Company. On 10 March 2017, Mr. Shen was appointed as a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee.
Mr. Wong Tik Tung (“Mr. Wong”)	On 7 March 2017, Mr. Wong was suspended his duties as a non-executive director of the Company.
Mr. Liu Ping (“Mr. Liu”)	On 10 March 2017, Mr. Liu resigned as an independent non-executive director of the Company, a member of the Audit Committee, a member of the Nomination Committee and chairman of the Remuneration Committee.

AUDIT COMMITTEE

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

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

EVENT 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, say 13 April 2017 (the “Proposed Resolutions”).

On 11 April 2017, the Company received a letter dated 10 April 2017 from the Requisitionist, which made reference to the Requisition, the Requisitionist has (i) confirmed that the reasons for the Requisition have all been dealt with to his satisfaction; (ii) agreed that the resolutions to be considered at the EGM need not be put forward at the EGM; and (iii) agreed that the EGM be adjourned *sine die*.

On 13 April 2017, a resolution to adjourn *sine die* (i.e. indefinitely) the EGM and all the Proposed Resolutions was passed in the EGM.

Please refer to the announcements of the Company dated 20 February 2017, 9 March 2017, 12 April 2017 and 13 April 2017 and the Notice of Extraordinary General Meeting dated 10 March 2017 for further details.

(ii) Proceedings by a Shareholder

The Company has received an Originating Summons issued on 24 February 2017 (the “Originating Summons”) by Mr. Wu Xiongbin as the plaintiff under a High Court Miscellaneous Proceedings No.427 of 2017 (the “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 parties to the Proceedings jointly applied to the High Court of Hong Kong for an order for the withdrawal of the Plaintiff’s Originating Summons with no order as to costs and The High Court of Hong Kong granted an order in terms of the joint application on 24 April 2017. The Proceedings against the Company and relevant directors of the Company have ceased with effect from 24 April 2017.

Please refer to the announcement of the Company dated 27 February 2017 and 25 April 2017 for further details.

By order of the Board
Glory Flame Holdings Limited
Che Xiaoyan
Chairman

Hong Kong, 15 May 2017

As at the date of this report, the executive Directors are Ms. Che Xiaoyan, Mr. Liu Zhong Ping, Mr. Man Wai Lun, Ms. Jiao Fei, Ms. Yang Nina, Mr. Li Shunmin and Mr. Guan Jincheng; the non-executive Directors are Mr. Zheng Si Rong, Mr. Wong Tik Tung (suspended) and Ms. Wu Chunping; and the independent non-executive Directors are Mr. Chan Kam Wah, Mr. Bai Honghai, Mr. Li An Sheng and Mr. Shen Xingxing.