

Glory Flame Holdings Limited

朝威控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8059

Third Quarterly Report 2017

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors. Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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

- The Group's revenue amounted to approximately HK\$98.8 million for the Reporting Period, representing an increase of approximately HK\$1.4 million or 1.4% as compared with the nine months ended 30 September 2016.
- The profit attributable to the owners of the Company was approximately HK\$0.3 million for the Reporting Period as compared with the loss attributable to the owners of the Company of approximately HK\$32.5 million for the nine months ended 30 September 2016.
- Basic and diluted earnings per share based on weighted average number of ordinary shares was approximately HK0.03 cents (nine months ended 30 September 2016: basic and diluted loss per share of approximately HK4.86 cents).
- The Board does not recommend the payment of dividend to owners of the Company for the Reporting Period (nine months ended 30 September 2016: nil).

THIRD 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 nine months ended 30 September 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 (UNAUDITED)**

For the nine months ended 30 September 2017

	<i>Notes</i>	Nine months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	98,825	97,438
Cost of sales		(78,411)	(77,591)
Gross profit		20,414	19,847
Other income and net gains		26,660	(10,292)
Administrative and other operating expenses		(47,881)	(38,997)
Operating loss	4	(807)	(29,442)
Finance costs		(806)	(1,493)
Loss before income tax		(1,613)	(30,935)
Income tax expense	5	(170)	(1,548)
Loss for the period		(1,783)	(32,483)
Other comprehensives income:			
Item that may be reclassified to profit or loss		418	–
Total comprehensives loss for the period		(1,365)	(32,483)
Profit/(loss) for the period attributable to:			
Owners of the Company		275	(32,483)
Non-controlling interests		(2,058)	–
		(1,783)	(32,483)
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		511	(32,483)
Non-controlling interests		(1,876)	–
Total comprehensive loss for the period		(1,365)	(32,483)
		HK cents	HK cents
Basic and diluted earnings/(loss) per share	7	0.03	(4.86)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2017

	Combined/ share capital	Share premium	Share option reserve	Merger reserve	Contributed surplus	Foreign currency translation resure	Retained earnings/ (Accumulated losses)	Total	Non- controlling interest	Total equity
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Balance at 1 January 2016	6,200	34,025	-	15,800	-	-	25,568	81,593	-	81,593
Loss and total comprehensive loss for the period	-	-	-	-	-	-	(32,483)	(32,483)	-	(32,483)
Issue of new shares	900	63,900	-	-	-	-	-	64,800	-	64,800
Share option scheme:										
- Value of employee services	-	-	9,254	-	-	-	-	9,254	-	9,254
- Value of consultancy services	-	-	1,736	-	-	-	-	1,736	-	1,736
	900	63,900	10,990	-	-	-	(32,483)	43,307	-	43,307
Balance at 30 September 2016 (unaudited)	7,100	97,925	10,990	15,800	-	-	(6,915)	124,900	-	124,900
Balance at 1 January 2017	7,600	117,272	11,287	15,800	-	17	(40,788)	111,188	(985)	110,203
Loss and total comprehensive income for the period	-	-	-	-	-	236	275	511	(1,876)	(1,365)
Issue of new shares upon exercise of share options	888	55,217	-	-	-	-	-	56,105	-	56,105
Transfer to share premium upon exercise of share options	-	11,977	(11,977)	-	-	-	-	-	-	-
Lapse of share options	-	-	(248)	-	-	-	248	-	-	-
Share option scheme:										
- Value of employee services	-	-	5,394	-	-	-	-	5,394	-	5,394
- Value of consultancy services	-	-	670	-	-	-	-	670	-	670
Acquisition of non-controlling interests	-	-	-	-	(1,839)	-	-	(1,839)	1,839	-
	888	67,194	(6,161)	-	(1,839)	236	523	60,841	(37)	60,804
Balance at 30 September 2017 (unaudited)	8,488	184,466	5,126	15,800	(1,839)	253	(40,265)	172,029	(1,022)	171,007

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 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 (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 15 August 2014.

The address of the Company’s registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-108 Cayman Islands. The address of the Company’s principal place of business in Hong Kong is Room 1901, 19th Floor, COFCO Tower, No. 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”) is principally engaged in (i) the provision of concrete demolition services, and manufacturing and trading of prestressed high strength concretes piles (the “Construction Related Business”) and (ii) trading of Light Emitting Diode (“LED”) light sources for decoration, the Ecological LED Cultivation Cabinet System and clean coal (the “Trading Business”).

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the nine months ended 30 September 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 (the “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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2017 are presented in Hong Kong dollars (“HK\$”), which is the same functional currency of the Company.

3. REVENUE

Revenue recognised during the nine months ended 30 September 2017 are as follows:

	Nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Turnover		
Provision of concrete demolition service	54,343	67,748
Manufacturing and trading of prestressed high strength concrete piles	449	–
Trading of LED light sources for decoration	39,596	29,690
Trading of LED Cultivation Cabinet and hydroponic products	864	–
Trading of clean coal	3,573	–
	<u>98,825</u>	<u>97,438</u>

4. OPERATING LOSS

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

	Nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Fair value change in financial assets at fair value through profit or loss	(6,921)	11,043
Fair value loss on contingent liabilities	2,604	–
Share option expenses	6,064	10,990
Staff cost, including directors' remuneration	21,098	19,385
Depreciation of property, plant and equipment	5,871	4,455
Write-off of property, plant and equipment	3,432	–
Reversal of impairment loss on trade receivables	(8,604)	–
Reversal of impairment loss on trade deposits	(3,536)	–
Realised gain on sales of financial assets at fair value through profit or loss	(7,433)	(182)
Impairment loss on goodwill	–	6
	<u>–</u>	<u>6</u>

5. INCOME TAX EXPENSE

	Nine months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong profits tax	170	1,548
Deferred income tax	—	—
	<u>170</u>	<u>1,548</u>

Hong Kong profits tax is calculated at 16.5% (2016: 16.5%) of 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 dividend for the nine months ended 30 September 2017 (2016: nil).

7. EARNINGS/(LOSS) PER SHARE

(a) Basic

The calculations of basic earnings/(loss) per share for the nine months ended 30 September 2017 and 2016 are based on the followings:

	Nine months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
Earnings/(Loss):		
Earnings/(Loss) for the purpose of calculating basic and diluted earnings/(loss) per share (profit/(loss) for the period attributable to owners of the Company)(HK\$'000)	275	(32,483)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	805,353,000	668,613,000

(b) Diluted

Diluted earning/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all the Company's outstanding share options. The diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share as there were no dilutive potential ordinary shares in issue during the period ended 30 September 2017 and 2016.

8. COMPARATIVE FIGURES

Certain comparative figures had been reclassified to conform with current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

Revenue for the Reporting Period increased by approximately HK\$1.4 million or 1.4% from approximately HK\$97.4 million for the nine months ended 30 September 2016 (the “PE16”) to approximately HK\$98.8 million. The analysis of revenue was shown as follows:

Revenue by nature

	Nine months ended	
	2017	2016
	HK\$'000	HK\$'000
Concrete demolition services	54,343	67,748
Prestressed concrete pile	449	–
LED light sources for decoration	39,596	29,690
LED cultivation cabinet system and hydroponic products	864	–
Trading of clean coal	3,573	–
	<u>98,825</u>	<u>97,438</u>

Concrete demolition services

For the Reporting Period, the revenue attributable to the provision for concrete demolition services was approximately HK\$54.3 million, indicating a decrease of approximately 19.8% as compared with approximately HK\$67.7 million for PE16. The decrease was attributable to the increasingly keen competition and the competitive pricing in concrete demolition services and the decrease in the amount of concrete demolition business 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 was a condition of the business transfer agreement dated 10 October 2016. During the Reporting Period, there were no revenue generated for manufacturing of prestressed concrete pile as the acquisition of plant and machinery had not yet been completed.

LED light sources for decoration

For the Reporting Period, the revenue attributable to the light-emitting diode (the “LED”) light sources for decoration was approximately HK\$39.6 million, indicating an increase of approximately 33.3% as compared with approximately HK\$29.7 million for PE16.

The customers repaid approximately HK\$8.6 million for the overdue invoices during the Reporting Period, which reversed the impairment loss on trade receivable in the profit and loss account. The Group resumed the trading of the LED light sources for the decoration in the second quarter of 2017.

LED Cultivation Cabinet System and Hydroponic Products

For the Reporting Period, the revenue attributable to LED cultivation cabinet system was approximately HK\$0.9 million. The Group currently sold the LED cultivation cabinet system and hydroponic products through a regional distributor in the People’s Republic of China (the “PRC”). The Group had been negotiating with various distributors in other regions of the PRC and expected to market and promote the LED cultivation cabinet and hydroponic products throughout the PRC in the future.

Clean Coal

In August 2017, the Group acquired 51% shareholdings in Ordos City Zhi Hua Clean Energy Ltd* (鄂爾多斯市智華清潔能源有限公司) (“Zhi Hua”) through a PRC wholly-owned foreign subsidiary. Zhi Hua is mainly engaged in the trading of Inner Mongolia coal energy in the PRC. It’s coal resource is from the clean coal in Ordos city, the PRC. The clean coal technology collectively represents the new technologies of processing, burning, transforming and pollution control etc. in the whole process from development to utilization of coal that aim to reduce pollution and emission and enhance the utilization efficiency.

The Group commenced the clean coal trading business through Zhi Hua in the PRC. The revenue generated from the clean coal trading was approximately HK\$3.6 million during the Reporting Period.

Gross Profit and Gross Profit Margin

Our Group’s gross profit increased by approximately HK\$0.6 million or 3.0% from approximately HK\$19.8 million for PE16 to approximately HK\$20.4 million for the Reporting Period. Such increase was mainly due to the increase in revenue and gross profit margin attributable to trading of LED light source for decoration.

* for identification purpose only

Administrative and Other Operating Expenses

Our Group's general and administrative expenses for the Reporting Period increased to approximately HK\$47.9 million from approximately HK\$39.0 million for PE16. Such increase was mainly due to (i) the product design cost of approximately HK\$1.4 million for LED hydroponic equipment; (ii) a write-off of HK\$3.4 million on property plant and equipment during the Reporting Period; and (iii) an increase in fair value loss of HK\$2.6 million on contingent liabilities in relation to the acquisition of 51% of the issued capital of Mansion Point International Ltd.

Profit/(Loss) Attributable to Owners of the Company

Net profit attributable to owners of the Company for the Reporting Period was approximately HK\$0.3 million as compared to net loss attributable to owners of the Company of approximately HK\$32.5 million in PE16. Such change was mainly the result of the combined effect of (i) a reversal of impairment loss on trade receivable and trade deposit, amounting to HK\$12.1 million in aggregate; (ii) an increase in a realised gain of HK\$7.3 million on sales of financial assets at fair value through profit or loss; and (iii) fair value gain of HK\$6.9 million in financial assets at fair value through profit or loss as compared with the fair value loss of HK\$11.0 million in financial assets at fair value in PE16.

Treasury Policy

The Group adopted a prudent financial management approach towards its treasury policies and maintained a healthy liquidity position throughout the Reporting Period. The Group strove 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 monitored from time to time 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.

Foreign Currency Risk

The Group only operated in Hong Kong and most of the operating transactions, revenue, expenses, monetary assets and liabilities were denominated in Hong Kong dollars. As such, our Directors were of the view that the Group's risk in foreign exchange was insignificant and that the Group had sufficient resources to meet foreign exchange requirements. Therefore, the Group had not engaged in any derivative to hedge its exposure to foreign exchange risk.

Material Acquisitions and Disposal of Subsidiaries and Associated Companies

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

Debts and Charge on Assets

As at 30 September 2017, the total borrowings of the Group amounted to approximately HK\$45.4 million (31 December 2016: approximately HK\$50.0 million). Such decrease was mainly due to the repayment of loan from a Director. The annual interest rates of the loan from a Director ranges from 0% and 5% per annum. All of the borrowings was accounted for as current liabilities of the Group. All of the above borrowings were denominated in Hong Kong dollars.

Employee and Remuneration Policies

As at 30 September 2017, the Group had 120 employees. The total employee costs (including directors' emoluments) for the Reporting Period amounted to approximately HK\$21.1 million (PE16: approximately HK\$19.4 million).

The salary and benefits of the employees of the Group were competitive. This is very important as the construction industry in Hong Kong had been experiencing labour shortage in general. Individual performance of our employees was awarded through the Group's salary and bonus system. In addition, the Group provided adequate job trainings to employees in order to equip them with practical knowledge and skills for tackling challenges encountered in diverse work sites.

Commitments and Contingent Liabilities

The Group did not have material capital commitments and contingent liabilities as at 30 September 2017.

Placing of new shares under general mandate

On 5 September 2017, the Company and ChaoShang Securities Limited (as a placing agent) entered into a placing agreement (as supplemented by a supplemental agreement dated on 27 September 2017) pursuant to which the Company has conditionally agreed to place through the placing agent, on a best endeavor basis, a maximum of 80,898,000 placing shares at the placing price of HK\$0.5 per placing share (the "Placing"). The maximum gross proceeds from the Placing would be approximately HK\$40.45 million. The maximum net proceeds from the Placing would be approximately HK\$38.80 million.

The Placing was completed on 25 October 2017 and an aggregate of 80,898,000 placing shares were allotted and issued on the same date. The net proceeds from the Placing of approximately HK\$38.80 million, representing a net issue price of approximately HK\$0.480 per placing share, is intended to be used as to approximately HK\$25.0 million for general working capital and as to approximately HK\$13.8 million for marketing and promotional activities of the business of ecological LED cultivation cabinet system of the Group in the PRC.

For details, please refer to the announcements of the Company dated 5, 7, 27 September and 25 October 2017.

BUSINESS REVIEW AND OUTLOOK

The principal activity of the Company was investment holding. During the Reporting Period, the Group mainly 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, the ecological LED cultivation cabinet system and clean coal (the “Trading Business”).

(i) Construction Related Business

(a) Concrete demolition services

The Group’s concrete demolition services were 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 the 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 had engaged 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 was a condition of the business transfer agreement dated 10 October 2016. As at 30 September 2017, the Group has not commenced the manufacturing of prestressed concrete piles.

(ii) Trading Business

(a) LED light sources for decoration

LED market has reach its maturity when energy saving is of paramount importance to all users around the world. Energy policies encourage technologies this can offer maximum energy saving and the market of LED light source for decoration falls into this 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. There is an increase in customer acceptance on using LED light sources. It is expected that LED would eventually replace conventional light sources in the 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 and traders in the PRC during the Reporting Period.

(b) Ecological LED Cultivation Cabinet System and Hydroponic Products

In mid-2016, the Group invested directly in the research and development of the hydroponic products, including its own ecological LED cultivation cabinet system and planting rack, and successfully produced the first prototype of the ecological LED cultivation cabinet system. The Group intended to market and promote the hydroponic products in the PRC through distributors who had already established good relationships with an existing customer base of resellers and retailers. For the Reporting Period, the sales of hydroponic products contributed revenue of approximately HK\$0.9 million to the Group.

(c) Clean Coal

In August 2017, the Group acquired 51% of shareholdings in Ordos City Zhi Hua Clean Energy Ltd* (鄂爾多斯市智華清潔能源有限公司) (“Zhi Hua”) through a PRC wholly-owned foreign subsidiary. Zhi Hua was mainly engaged in the trading of Inner Mongolia coal energy in the PRC. It’s coal resource is from the clean coal in Ordos city, the PRC. The clean coal technology collectively represents the new technologies of processing, burning, transforming and pollution control etc. in the whole process from development to utilization of coal that aim to reduce pollution and emission and enhance the utilization efficiency.

The development of clean coal is an established national policy of the PRC. The coal resource in the PRC is relatively rich and the PRC is one of the few countries in the world that uses coal as the main energy source. The clean coal industry will continue to play an important role in the energy sustainability of the PRC and will be an important direction of development in the coming 20 years. Such development will be significant for the PRC to ease the environmental pollution led by burning coal and reduce the reliance on imported oil. The clean coal industry can be viewed as facing new market demand and development opportunities in the PRC.

* for identification purpose only

CORPORATE GOVERNANCE AND OTHER INFORMATION

DISCLOSURE OF INTERESTS

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

As at 30 September 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 and underlying Shares held/interested in	Approximate percentage of shareholding
Ms. Che Xiaoyan	Beneficial owner	35,449,800	4.18%
Mr. Guan Jincheng	Beneficial owner	8,089,800	0.95%
Ms. Jiao Fei	Beneficial owner	3,089,800	0.36%
Mr. Li Shunmin	Beneficial owner	8,089,800	0.95%
Mr. Man Wai Lun	Beneficial owner	8,089,800	0.95%
Ms. Yang Nina	Beneficial owner	3,089,800	0.36%

(ii) Long position in underlying Shares

Details of the interests of the Directors in the share options of the Company are separately disclosed under the section headed "Share Option Scheme".

- (iii) As at 30 September 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 30 September 2017 and so far as is known to the Directors, no person other than certain Directors or chief executive of the Company had any interests or short positions in the Shares and underlying shares of the Company which were required to be recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/interested in	Long/short position	Approximate percentage of shareholding
Du Hao	Beneficial owner	110,885,000	Long	13.06%
Mo Yubin	Beneficial owner	92,000,000	Long	10.84%

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 agreed to sell, and the Company 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 of all Directors and the controlling shareholders of the Company, all of them had confirmed that neither themselves nor their respective close associates (as defined in the GEM Listing Rules) 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.

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

Neither the Company nor any of its subsidiaries 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 ("CEO") should be separate and not performed by the same individual. During the Reporting Period, Ms. Che Xiaoyan ("Ms. Che") was both Chairman and CEO of the Group. The Board was of the opinion that vesting the roles of both Chairman and CEO in Ms. Che had the benefit of ensuring consistent leadership within the Group thus enabling more effective and efficient strategic planning for the Group. The Board also believed that the balance of power and authority was not compromised and was 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 complied with the Code as set out in Appendix 15 to the GEM Listing Rules during the Reporting Period.

The Company had 14 Board members, including 4 independent non-executive Directors for the period from 10 March 2017 to 31 May 2017. The number of independent non-executive directors fell below one-third of the Board members as required under Rule 5.05A of the GEM Listing Rules during such period. Following the resignations of Mr. Liu Zhong Ping, Mr. Zheng Sirong and Mr. Wong Tik Tung on 31 May 2017, there were 11 Board members including 4 independent non-executive Directors from 31 May 2017 to the end of Reporting Period, which satisfies the requirement under Rules 5.05A of the GEM Listing Rules that the number of independent non-executive Directors representing at least one-third of the Board members.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group had 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 (the “Code of Conduct”). Having made specific enquiries with the Directors, all Directors have confirmed that they complied with the required standards set out in the Code of Conduct during the Reporting Period.

DIVIDEND

The Board does not recommend payment of interim dividend to shareholders of the Company for the Reporting Period (2016: nil).

SHARE OPTION SCHEME

The Company conditionally adopted the share option scheme on 2 August 2014 (the “Share Option Scheme”). 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 share options to subscribe for up to a total of 10,380,000 Shares were granted to certain employees under the Share Option Scheme. The exercise price was HK\$0.80 per share, which was the closing price of the Share on the date of grant. The share options may be exercised within the period from 28 March 2017 to 27 March 2027 (both days inclusive).

On 15 June 2017, 80,898,000 share options to subscribe for up to a total of 80,898,000 Shares were granted to certain Directors and other eligible persons under the Share Option Scheme. The exercise price was HK\$0.626 per share, which was equal to the average closing price as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant. The share options may be exercised within the period from 15 June 2017 to 14 June 2027 (both days inclusive).

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

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

Name of Director	Date of grant	Number of outstanding share options as at 1 January 2017/ the date of appointment	Number of share options granted during the Reporting Period	Number of share options exercised during the Reporting Period	Number of outstanding share options as at 30 June 2017	Exercise period	Exercise price per share
<i>Executive Directors</i>							
Ms. Che Xiaoyan	14 June 2016	6,200,000	–	(6,200,000)	–	15 June 2016 to 14 June 2026	HK\$0.83
	15 June 2017	–	8,089,800	–	8,089,800	15 June 2017 to 14 June 2027	HK\$0.626
Ms. Jiao Fei	26 August 2016	5,000,000	–	(5,000,000)	–	26 November 2016 to 26 August 2026	HK\$0.48
	15 June 2017	–	3,089,800	–	3,089,800	15 June 2017 to 14 June 2027	HK\$0.626
Ms. Yang Nina	26 August 2016	5,000,000	–	(5,000,000)	–	26 November 2016 to 26 August 2026	HK\$0.48
	15 June 2017	–	3,089,800	–	3,089,800	15 June 2017 to 14 June 2027	HK\$0.626
Mr. Li Shumin	15 June 2017	–	8,089,800	–	8,089,800	15 June 2017 to 14 June 2027	HK\$0.626
Mr. Guan Jincheng	15 June 2017	–	8,089,800	–	8,089,800	15 June 2017 to 14 June 2027	HK\$0.626
Mr. Man Wai Lun	15 June 2017	–	8,089,800	–	8,089,800	15 June 2017 to 14 June 2027	HK\$0.626
<i>Non-executive Director</i>							
Ms. Wu Chumping	15 June 2017	–	8,089,800	–	8,089,800	15 June 2017 to 14 June 2027	HK\$0.626
		16,200,000	46,628,600	(16,200,000)	46,628,600		

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, 6,200,000 share options granted to the consultant was exercised and no such share options was forfeited or lapsed.

On 15 June 2017, the Company granted 8,089,800 share options of the Company under the Share Option Scheme to a consultant as service fee.

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

Date of grant	Exercise period	Exercise price per share (HK\$)	Number of outstanding share options as at 1 January 2017	Number of share options granted during the Reporting Period	Number of share options exercised during the Reporting Period	Number of outstanding share options as at 30 June 2017	Vesting conditions
14 June 2016	14 September 2016 – 13 June 2026	0.83	6,200,000	–	(6,200,000)	–	3-month vesting period
15 June 2017	15 June 2017 – 14 June 2027	0.626	–	8,000,000	–	8,000,000	Vested on the date of grant
			<u>6,200,000</u>	<u>8,000,000</u>	<u>(6,200,000)</u>	<u>8,000,000</u>	

c) Fair values of share options and assumptions

During the Reporting Period, the total share option expense of HK\$6,064,000 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:

	Nine months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
Share option expenses for employees and Directors	5,394	9,254
Share option expenses for consultancy services	670	1,736
	<u>6,064</u>	<u>10,990</u>

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	15 June 2017	14 June 2016	15 June 2017
Date of grant						
Number of share options granted	19,220,000	26,200,000	10,380,000	72,898,000	6,200,000	8,000,000
Underlying stock price	HK\$0.80	HK\$0.48	HK\$0.80	HK\$0.620	HK\$0.80	HK\$0.620
Strike price	HK\$0.83	HK\$0.48	HK\$0.80	HK\$0.626	HK\$0.83	HK\$0.626
Expected volatility	52.21%	51.90%	52.19%	52.14%	52.21%	52.14%
Exercise multiple	1.60-2.47	1.60	1.10	1.07-1.13	1.60	1.13
Risk-free rate	1.082%	0.912%	1.714%	1.326%	1.082%	1.326%
Annualised dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The Model was 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.

INFORMATION ON CHANGES OF DIRECTORS

Information on the changes of Directors 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.
Ms. Yang Nina ("Ms. Yang")	On 17 February 2017, Ms. Yang was appointed as an executive Director.
Mr. Li Shunmin ("Mr. Li")	On 17 February 2017, Mr. Li was appointed as an executive Director. 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. On 10 March 2017, Mr. Guan was appointed as a member of the remuneration committee.
Ms. Wu Chunping ("Ms. Wu")	Ms. Wu was appointed as a non-executive Director on 17 February 2017 and she subsequently resigned on 24 August 2017.
Mr. Li An Sheng ("Mr. A.S. Li")	On 17 February 2017, Mr. A.S. Li was appointed as an independent non-executive Director. On 10 March 2017, Mr. A.S. Li was appointed as a member of the audit committee, the chairman of the remuneration committee and a member of the nomination committee.

Name of Director	Details of the change
Mr. Shen Xingxing (“Mr. Shen”)	<p data-bbox="471 209 1010 256">On 17 February 2017, Mr. Shen was appointed as an independent non-executive Director.</p> <p data-bbox="471 288 1010 368">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.</p> <p data-bbox="471 400 1010 496">On 24 August 2017, Mr. Shen resigned as an independent non-executive Director, a member of the audit committee, a member of the nomination committee and a member of the remuneration committee.</p>
Mr. Wong Tik Tung (“Mr. Wong”)	<p data-bbox="471 528 1010 576">On 7 March 2017, Mr. Wong’s duties as a non-executive Director was suspended.</p> <p data-bbox="471 608 1010 655">On 31 May 2017, Mr. Wong resigned as a non-executive Director.</p>
Mr. Liu Ping (“Mr. Liu”)	<p data-bbox="471 687 1010 791">On 10 March 2017, Mr. Liu resigned as an independent non-executive Director, a member of the audit committee, a member of the nomination committee and chairman of the remuneration committee.</p>
Mr. Liu Zhongping (“Mr. Z.P. Liu”)	<p data-bbox="471 823 1010 871">On 31 May 2017, Mr. Z.P. Liu resigned as an executive Director.</p>
Mr. Zheng Sirong (“Mr. Zheng”)	<p data-bbox="471 903 1010 951">On 31 May 2017, Mr. Zheng resigned as a non-executive Director.</p>
Mr. Lin Hongtong (“Mr. Lin”)	<p data-bbox="471 983 1010 1031">On 24 August 2017, Mr. Lin was appointed as a non-executive Director.</p>
Mr. Chen Yongquan (“Mr. Chen”)	<p data-bbox="471 1062 1010 1166">On 24 August 2017, Mr. Chen was appointed as an independent non-executive Director, a member of the nomination committee and a member of the remuneration committee.</p>
Mr. Bai Hanghai (“Mr. Bai”)	<p data-bbox="471 1198 1010 1246">On 24 August 2017, Mr. Bai was appointed as a member of the audit committee.</p>

AUDIT COMMITTEE

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

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

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

Hong Kong, 9 November 2017

As at the date of this report, the executive Directors are Ms. Che Xiaoyan, Mr. Man Wai Lun, Ms. Jiao Fei, Ms. Yang Nina, Mr. Li Shunmin and Mr. Guan Jincheng; the non-executive Director is Mr. Lin Hongtong; and the independent non-executive Directors are Mr. Chan Kam Wah, Mr. Bai Honghai, Mr. Li An Sheng and Mr. Chen Yongquan.