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GLORY FLAME HOLDINGS LIMITED

朝威控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8059)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

CHARACTERISTICS OF THE 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 announcement, 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 announcement 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 announcement misleading.

HIGHLIGHTS

For the six months ended 30 June 2019, the operating results of the Group were as follows:

- Revenue amounted to approximately HK\$41.9 million (six months ended 30 June 2018: approximately HK\$78.4 million), representing a decrease of approximately 46.6% as compared with the corresponding period of last year.
- Net loss amounted to approximately HK\$15.9 million as compared to net loss of approximately HK\$27.3 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 (six months ended 30 June 2018: basic and diluted loss per share of approximately HK 2.57 cents).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

INTERIM RESULTS

The board (“Board”) of Directors is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2019 (the “Reporting Period”), together with the unaudited comparative figures for the corresponding period in 2018, as follows:-

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

	<i>Notes</i>	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	4	23,910	43,610	41,902	78,401
Cost of sales		(14,773)	(38,422)	(28,883)	(64,107)
Gross profit		9,137	5,188	13,019	14,294
Other income and net gains		323	14,675	1,043	19,815
Administrative and other operating expenses		(11,887)	(45,392)	(28,038)	(58,747)
Operating loss	7	(2,427)	(25,529)	(13,976)	(24,638)
Finance costs		(1,169)	(1,500)	(1,919)	(1,500)
Loss before income tax		(3,596)	(27,029)	(15,895)	(26,138)
Income tax expenses	8	–	(1,158)	–	(1,187)
Loss for the period		(3,596)	(28,187)	(15,895)	(27,325)
Other comprehensive loss: Items that may be reclassified to profit or loss		(1,532)	(436)	(715)	(620)
Total comprehensive loss for the period		(5,128)	(28,623)	(16,610)	(27,945)

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

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(Loss) for the period attributable to:				
Owners of the Company	(4,219)	(26,137)	(14,705)	(24,938)
Non-controlling interests	623	(2,050)	(1,190)	(2,387)
	<u>(3,596)</u>	<u>(28,187)</u>	<u>(15,895)</u>	<u>(27,325)</u>
Total comprehensive income/(loss) for period attributable to:				
Owners of the Company	(5,822)	(26,855)	(14,328)	(25,769)
Non-controlling interests	694	(1,768)	(2,282)	(2,176)
	<u>(5,128)</u>	<u>(28,623)</u>	<u>(16,610)</u>	<u>(27,945)</u>
Total comprehensive loss for the period	<u>(5,128)</u>	<u>(28,623)</u>	<u>(16,610)</u>	<u>(27,945)</u>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted loss per share	<i>10</i>	<u>(0.42)</u>	<u>(1.46)</u>	<u>(2.57)</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)**

		30 June 2019 HK\$'000 Unaudited	31 December 2018 HK\$'000 Audited
Non-current assets			
Property, plant and equipment	<i>11</i>	17,532	16,529
Right-of-use assets		15,207	–
Goodwill		1,939	2,877
		<u>34,678</u>	<u>19,406</u>
Current assets			
Inventories		8,861	6,048
Trade and other receivables	<i>12</i>	67,422	65,727
Tax receivables		73	–
Cash and cash equivalents		53,333	39,169
		<u>129,689</u>	<u>110,944</u>
Disposal group classified as held for sale		–	31,128
		<u>129,689</u>	<u>142,072</u>
Current liabilities			
Trade and other payables	<i>13</i>	21,340	17,064
Other loan	<i>14</i>	40,000	40,000
Tax payable		–	232
Lease liabilities		3,007	–
		<u>64,347</u>	<u>57,296</u>
Liabilities directly associated with disposal group classified as held for sale		–	13
		<u>64,347</u>	<u>57,309</u>
Net current assets		<u>65,342</u>	<u>84,763</u>
Total assets less current liabilities		<u>100,020</u>	<u>104,169</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED) *(Continued)*

		30 June	31 December
		2019	2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		Unaudited	Audited
Non-current liabilities			
Lease liabilities		12,461	–
Deferred tax liabilities		33	33
		<hr/>	<hr/>
		12,494	33
		<hr/>	<hr/>
NET ASSETS		87,526	104,136
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital	<i>15</i>	10,106	10,106
Reserves		79,763	94,091
		<hr/>	<hr/>
Equity attributable to owners of the Company		89,869	104,197
Non-controlling interests		(2,343)	(61)
		<hr/>	<hr/>
TOTAL EQUITY		87,526	104,136
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2019

	Attributable to owners of the Company									
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Foreign	Other	Accumulated	Total	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
					currency translation reserve <i>HK\$'000</i>					
Balance at 1 January 2019	10,106	268,953	4,764	15,800	(3,289)	(1,672)	(190,465)	104,197	(61)	104,136
Loss and total comprehensive loss for the period	-	-	-	-	377	-	(14,705)	(14,328)	(2,282)	(16,610)
Balance at 30 June 2019 (unaudited)	10,106	268,953	4,764	15,800	(2,912)	(1,672)	(205,170)	89,869	(2,343)	87,526
Balance at 1 January 2018	9,297	230,122	10,707	15,800	414	(1,672)	(22,402)	242,266	(920)	241,346
Loss and total comprehensive loss for the period	-	-	-	-	(831)	-	(24,938)	(25,769)	(2,176)	(27,945)
Issue of new shares upon exercise of share options	809	38,831	-	-	-	-	-	39,640	-	39,640
Acquisition of 61% equity interest in a subsidiary through capital injection	-	-	-	-	-	-	-	-	4,160	4,160
Share option scheme:										
– value of employee services	-	-	18,923	-	-	-	-	18,923	-	18,923
– value of consultancy services	-	-	1,876	-	-	-	-	1,876	-	1,876
Balance at 30 June 2018 (unaudited)	10,106	268,953	31,506	15,800	(417)	(1,672)	(47,340)	276,936	1,064	278,000

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended	
	30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	(7,567)	(26,136)
Net cash inflow/(outflow) from investing activities	8,838	(3,789)
Net cash inflow from financing activities	13,549	43,802
	<hr/>	<hr/>
Net increase in cash and cash equivalents	14,820	13,877
Effect of foreign exchange rate changes	(660)	(766)
Cash and cash equivalents at 1 January	39,173	35,003
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	53,333	48,114
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents:		
– Cash and bank balances	48,786	48,114
– Short term investment of money market fund	4,547	–
	<hr/>	<hr/>
	53,333	48,114
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Glory Flame Holdings Limited was incorporated in the Cayman Islands on 25 April 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the 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 KY1-1108, Cayman Islands. The address of the Company’s principal place of business in Hong Kong is Suite 3513, 35th Floor, Tower 6, the Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (collectively referred as to the “Group”) are engaged in (i) provision of construction services and building materials supply (the “Construction Business”), (ii) development and sales of agricultural equipment (the “Agriculture Business”), (iii) trading of LED products and clean coal (the “Trading Business”), and (iv) provision of financial services (the “Financial Services”).

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared by the Directors in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the GEM Listing Rules. HKFRSs include Hong Kong Accounting Standards and interpretations. Intra-group balances and transactions, if any, have been fully and properly eliminated. The accounting policies and basis of preparation adopted in the preparation of the financial statements for the six months ended 30 June 2019 are consistent with those adopted in the annual financial statements of the Company for the year ended 31 December 2018 except for those new and revised HKFRSs and interpretations issued by the HKICPA that are adopted for the first time for the current periods in the financial statements.

Except for HKFRS 16 “Lease”, the adoption of the new and revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the six months ended 30 June 2019. The Group transitioned to HKFRS 16 in accordance with the modified retrospective approach and therefore comparative figures were not restated. Upon application of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 “Leases”. These lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The associated right-of-use assets were measured at the amount equal to the respective lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 31 December 2018.

2. BASIS OF PREPARATION *(Continued)*

The financial statements for the six months ended 30 June 2019 have not been audited by the Company's independent auditors, but have been reviewed by the Company's audit committee.

The financial statements for the six months ended 30 June 2019 are presented in Hong Kong dollars ("HK\$"), which is the same functional currency of the Company.

3. ESTIMATES

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

In preparing this condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

4. REVENUE

Revenue recognised during the Reporting Period are as follows:

	Six months ended	
	30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Turnover		
Construction Business		
– Provision of concrete demolition and construction engineering services	32,520	45,344
– Manufacturing and trading of prefabricated precast construction components	7,128	2,283
Trading Business		
– Trading of clean coal	761	21,410
– Others <i>(note)</i>	–	8,475
Agriculture Business		
Trading of ecological LED Cultivation Cabinet	–	635
Financial Services		
Provision of insurance brokerage and consultancy services	1,493	254
	41,902	78,401

Note: Others represent other solid fuel and electrical appliances.

5. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the executive directors for the purposes of resources allocation and performance assessment. For the six months ended 30 June 2019, the Group has four reportable operating segments as follows:

Construction Business	Provision of concrete demolition and construction engineering services and prefabricated precast construction
Agriculture Business	Trading of ecological LED cultivation cabinet system and other related products
Trading Business	Trading of clean coal and others
Financial Services	Provision of insurance brokerage and consultancy services, and factoring services

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.

The accounting policies of the reportable and operating segments are the same as those described in 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, financial assets at fair value through profit or loss 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 Business <i>HK\$'000</i>	Agriculture Business <i>HK\$'000</i>	Trading Business <i>HK\$'000</i>	Financial Services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2019					
Revenue from external customers	39,648	–	761	1,493	41,902
Inter-segment revenue	–	–	–	–	–
	<u>39,648</u>	<u>–</u>	<u>761</u>	<u>1,493</u>	<u>41,902</u>
Timing of revenue recognition					
At a point in time	–	–	761	1,493	2,254
Over time	39,648	–	–	–	39,648
	<u>39,648</u>	<u>–</u>	<u>761</u>	<u>1,493</u>	<u>41,902</u>
Segment profit/(loss)	416	–	(339)	(414)	(337)

5. SEGMENT INFORMATION (Continued)

	Construction Business	Agriculture Business	Trading Business	Financial Services	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30 June 2018					
Revenue from external customers	47,627	635	29,885	254	78,401
Inter-segment revenue	–	–	–	–	–
	<u>47,627</u>	<u>635</u>	<u>29,885</u>	<u>254</u>	<u>78,401</u>
Timing of revenue recognition					
At a point in time	–	635	29,885	254	30,774
Over time	47,627	–	–	–	47,627
	<u>47,627</u>	<u>635</u>	<u>29,885</u>	<u>254</u>	<u>78,401</u>
Segment profit/(loss)	<u>708</u>	<u>(1,589)</u>	<u>(2,417)</u>	<u>(579)</u>	<u>(3,877)</u>
Total segment assets					
30 June 2019	60,603	25	14,958	12,703	88,289
31 December 2018	48,741	3,099	15,556	10,989	78,385
	<u>60,603</u>	<u>25</u>	<u>14,958</u>	<u>12,703</u>	<u>88,289</u>
	<u>48,741</u>	<u>3,099</u>	<u>15,556</u>	<u>10,989</u>	<u>78,385</u>
Total segment liabilities					
30 June 2019	21,147	–	5,982	3	27,132
31 December 2018	7,223	112	4,572	209	12,116
	<u>21,147</u>	<u>–</u>	<u>5,982</u>	<u>3</u>	<u>27,132</u>
	<u>7,223</u>	<u>112</u>	<u>4,572</u>	<u>209</u>	<u>12,116</u>

Reconciliations of reportable segment profit or loss:

	Six months ended	
	30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit or loss		
Total loss of reportable segments	(337)	(3,877)
Corporate expenses, net	(15,445)	(20,504)
Write-off of property, plant and equipment	(115)	(220)
Gain on disposal of property, plant and equipment	–	80
Gain on financial assets at fair value through profit or loss	–	19,182
Share option expense	–	(20,799)
	<u>–</u>	<u>(20,799)</u>
Consolidated loss before tax	(15,895)	(26,138)
	<u>(15,895)</u>	<u>(26,138)</u>

6. FINANCIAL RISK MANAGEMENT

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

The interim condensed consolidation financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

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

7. OPERATING LOSS

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

	Six months ended	
	30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Staff cost, including directors' remuneration	9,625	10,054
Depreciation of property, plant and equipment	3,691	4,704
Depreciation of right-of-use assets	2,831	–
Write-off of property, plant and equipment	115	220
Impairment loss on trade receivables	2,615	4,159
Gain on sales of financial assets	–	(13,787)
Fair value change in financial asset at fair value through profit or loss	–	(5,395)
Gain on disposal of property, plant and equipment	–	(80)
Share option expenses	–	20,799
	—————	—————

8. INCOME TAX EXPENSE

	Six months ended	
	30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax – Hong Kong profits tax:		
Provision for the period	–	454
	<hr/>	<hr/>
	–	454
Current tax – PRC Enterprise Income Tax:		
Provision for the period	–	294
Deferred Tax	–	439
	<hr/>	<hr/>
	–	1,187
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax has been provided at a rate of 16.5% (2018: 16.5%) on the estimated assessable profit of the Group arising in or derived from Hong Kong for the period as stated above.

Provision for the Company's subsidiaries that are subject to Enterprise Income Tax in the Mainland China is calculated at 25% (2018: 25%).

9. INTERIM DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

10. LOSS PER SHARE

(a) Basic

The calculations of basic loss per share for the six months ended 30 June 2019 are based on the followings:

	Three months ended 30 June		Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Loss:				
Loss for the period attributable to the owners of the Company (HK\$ '000)	<u>(4,219)</u>	<u>(26,137)</u>	<u>(14,705)</u>	<u>(24,938)</u>
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (<i>in thousand</i>)	<u>1,010,605</u>	<u>970,379</u>	<u>1,010,605</u>	<u>970,379</u>

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.

(b) Diluted

Diluted 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 option. 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 period ended 30 June 2019 and 2018.

11. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired property, plant and equipment of HK\$4,864,000 (Six months ended 30 June 2018: HK\$4,821,000). There were write-off of items of property, plant and equipment of HK\$115,000 (Six months ended 30 June 2018: HK\$219,000). There was none of disposal item of property, plant and equipment for the Reporting Period (Six months ended 30 June 2018: HK\$560,000).

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2019 <i>HK\$'000</i> (unaudited)	At 31 December 2018 <i>HK\$'000</i> (audited)
Trade receivables	85,134	78,776
Less: allowance for impairment of trade receivables	<u>(49,327)</u>	<u>(47,022)</u>
Trade receivables, net	<u>35,807</u>	<u>31,754</u>
Retention receivables	2,986	3,398
Less: allowance for impairment of retention receivables	<u>(29)</u>	<u>(54)</u>
Retention receivables, net	<u>2,957</u>	<u>3,344</u>
Prepayments and trade deposits	57,038	60,063
Less: allowance for impairment of prepayments and trade deposits (<i>note</i>)	<u>(50,568)</u>	<u>(50,568)</u>
	<u>6,470</u>	<u>9,495</u>
Other deposits and receivables	<u>22,188</u>	<u>21,134</u>
	<u><u>67,422</u></u>	<u><u>65,727</u></u>

Notes:

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

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

	At 30 June 2019 <i>HK\$'000</i> (unaudited)	At 31 December 2018 <i>HK\$'000</i> (audited)
0-30 days	9,122	8,054
31-60 days	3,089	4,650
61-90 days	6,034	2,384
91-365 days	10,156	10,855
Over 365 days	<u>7,406</u>	<u>5,811</u>
	<u><u>35,807</u></u>	<u><u>31,754</u></u>

13. TRADE AND OTHER PAYABLES

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
Trade payables	6,852	6,245
Accruals	4,120	4,773
Other payables	10,368	6,046
	<u>21,340</u>	<u>17,064</u>

Notes:

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

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

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
0-30 days	2,986	3,738
31-60 days	805	79
61-90 days	130	–
Over 90	2,931	2,428
	<u>6,852</u>	<u>6,245</u>

14. OTHER LOAN

Other loan was unsecured, interest bearing at 7.5% per annum and repayable on 25 November 2019.

15. SHARE CAPITAL

Ordinary shares of HK\$0.01 each:

Authorised:	Number of ordinary shares	Amount HK\$'000
Ordinary shares at 31 December 2018 and 30 June 2019	2,000,000,000	20,000
	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:	Number of ordinary shares	Ordinary shares HK\$'000
Ordinary shares at 31 December 2018 and 30 June 2019	1,010,605,000	10,106
	<u>1,010,605,000</u>	<u>10,106</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The principal activity of the Company is investment holding. For the six months ended 30 June 2019 (the “Reporting Period”), the Group mainly engaged in (i) provision of construction services and building materials supply (the “Construction Business”), (ii) sales of agriculture-related products (the “Agriculture Business”), (iii) trading of clean coal and others (the “Trading Business”), and (iv) provision of financial services (the “Financial Services”).

Construction Business

(a) Concrete demolition services and construction works

Concrete demolition is one of the areas of the construction industry in Hong Kong. The Group’s concrete demolition services were mainly concerned with the removal of pieces or section of concrete from concrete structures by applying a variety of methods, such as core drilling, sawing, bursting and crushing. Concrete demolition services are usually performed by subcontractors in general building works, especially for alteration and redevelopment projects; and 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.

The customers of the Group’s concrete demolition services and other construction works mainly include main contractors and subcontractors of different types of construction and civil engineering projects in Hong Kong. Such customers can generally be categorized into public sector projects’ customers and private sector projects’ customers. Public sector projects refer to projects of which the main contractors are employed by Government departments or statutory bodies in Hong Kong, while private sector projects refer to projects that are not public sector projects.

	Six months ended 30 June	
	2019	2018
	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue from private sector project	25,991	32,692
Revenue from public sector project	6,529	12,652
	<u>32,520</u>	<u>45,344</u>

(b) Prefabricated precast construction

Prefabricated precast construction is a new kind of architecture with the construction process. That is splitting the traditional building products into precast reinforced concrete member produced in the factory and transported to the construction site for assembling into a whole building. Precast concrete contributes to green building practices as it can be very durable and energy-efficient. Prefabricated precast construction also reduces construction waste and debris on construction site as the precast concrete components are factory-made and employed by exact-batching technologies. In the 13th Five Year Plan for “Building Energy Efficiency and Green Building Development” released by the Ministry of Housing and Urban-Rural Development of China in February 2017, Chinese government set out the goals to achieve on the development of green by 2020. Driven by the growth in infrastructure investment and industrialization and increase in new construction projects in the emerging countries, the Group expects that the global precast concrete construction market is poised to grow strong.

The Group strives to drive its growth in Construction Business by tapping into the emerging markets. The Group has been working in close cooperation with a high-tech construction company based in Guangdong (“Guangdong Construction Company”) to explore the prefabricated precast construction projects in the countries along the Belt and Road. The Guangdong Construction Company focuses on residential industrialization with innovative architectural design and technology. It possesses a talented project team for the prefabricated precast construction and also has a strong business connection with the countries in Asia and Africa. In July 2019, the Group entered into a framework agreement with the Guangdong Construction Company and an agent of an Australian construction company in relation to a prefabricated precast construction project for building duplex houses in Australia with the total contract sum of approximately HK\$45.0 million.

Agriculture Business

Under the globally increasing concerns about healthy living and food security, the Group believes that the demand for green food will continue to rise. The Group has now been formulating the business strategy and plan for the Agriculture Business and also initiating the negotiation with certain agribusinesses to explore the feasibility of cooperation to develop the business in relation to agricultural produce and its related products.

On 22 July 2019, the Company and Hubei Bio-great Agricultural Technology Co., Ltd* (湖北凱瑞百穀農業科技股份有限公司) (the “Target Company”), a company established in the People’s Republic of China (the “PRC”) with limited liability, entered into the non-legally binding cooperative intent agreement (the “Intent Agreement”) in relation to the proposed investment (the “Proposed Investment”) in the Target Company. It is proposed that the Company shall investment in the Target Company by way of subscription of 51% or more of the registered capital of the Target Company.

Pursuant to the Intent Agreement, the Company intended to invest in and cooperate with the Target Company to expand high-tech seed industry projects through the development of potatoes and agricultural products cold chain, processing, logistics and distribution centers, leisure sightseeing agricultural tourism and large scale construction, etc.

In February 2016, the Ministry of Agriculture released its “Suggestions for Promoting the Development of the Potato Industry”. The document sets up goals for China’s potato industry development to expand the area of growing potato to more than 100 million mu by year 2020. By the time, the proportion of suitable varieties for potato staple food processing will reach approximately 30% and the consumption of potato staple food will account for 30% of total consumption of potatoes in China. It also sets out that, in order to implement the spirit of Document No.1 of the Central Committee and the national strategic development on food safety under the new situation, promote the structural reform from the agricultural supply side, transform the mode of agricultural development, and speed up the agricultural transformation and upgrading, the potatoes shall be considered as the staple food products for the development of industry, to establish the concept of health and scientific guidance of consumption, promote the steadiness of grain and growth of income, and improve the quality and efficiency as well as sustainable development of agriculture. The Group considers that the Group shall seize the business opportunity of the agriculture transformation in China that comes to support the agricultural development and introduce the best products and technologies.

Trading Business

Trading Business primarily comprised the trading of clean coal. Its coal resource is from the Ordos City, Inner Mongolia, the PRC. During the Reporting Period, the Group decided to suspend the clean coal trading business as it had operated at a loss. Given the current cost structure of the clean coal trading business, the Group believes that, notwithstanding its initiatives in reviewing the supply chain operations and re-negotiating contract terms with the customers and business partners, it would be challenging to turn around this business segment without significantly upscaling the working capital and other capital expenditure.

Financial Services

Financial Service business includes provision of insurance brokerage and consultancy services in Hong Kong and provision of commercial factoring services in the PRC. The Group has not accepted any new application of commercial factoring services during the Reporting Period as the Group considers that the corporate default risk in the PRC is on the rise.

FINANCIAL REVIEW

Revenue

Revenue decreased by approximately HK\$36.5 million or 46.6% from approximately HK\$78.4 million for the six months ended 30 June 2018 (“HY2018”) to approximately HK\$41.9 million. The analysis of revenue was for the Reporting Period shown as follows:

Revenue by nature

	For the six months ended	
	30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Construction Business		
– Provision for construction services	32,520	45,344
– Prefabricated precast construction	7,128	2,283
	<hr/>	<hr/>
	39,648	47,627
Agriculture Business		
– Trading of agricultural equipment	–	635
Trading Business		
– Trading of clean coal and others	761	29,885
Financial Services		
– Provision of insurance brokerage and consultancy services	1,493	254
	<hr/>	<hr/>
	41,902	78,401
	<hr/> <hr/>	<hr/> <hr/>

Construction Business

Construction Business comprises 1) provision of concrete demolition and construction engineering services (the “Construction Services”) and 2) manufacturing and trading of prefabricated precast construction components (the “Prefabricated Precast Construction”).

For the Reporting Period, revenue attributable to Construction Business was approximately HK\$39.6 million, representing a decrease of approximately HK\$8.0 million or 16.8% as compared with approximately HK\$47.6 million for HY2018. The decrease was primarily due to a decrease of approximately HK\$12.8 million in revenue from Construction Services, resulting from a decrease in revenue from the construction project of Shatin to Central Link that was terminated in October 2018.

Revenue attributable to Prefabricated Precast Construction increased by approximately HK\$4.8 million from approximately HK\$2.3 million for HY2018 to approximately HK\$7.1 million for the Reporting Period.

Agriculture Business

In year 2018, the Group decided to suspend the business plan for the LED cultivation cabinets and its related products due to the economic downturn in the PRC and fierce competition in the hydroponic market. As a result, the Group recorded no revenue from Agriculture Business during the Reporting Period.

Revenue of approximately HK\$0.6 million was generated from sales and leasing of the hydroponic planting racks for HY2018.

Trading Business

For the Reporting Period, the revenue attributable to the Trading Business was approximately HK\$0.8 million, representing a decrease of approximately HK\$29.1 million as compared to that of HK\$29.9 million for HY2018. The Group has ground to halt for the Trading Business as it operated at a loss.

Financial Services

For the Reporting Period, revenue attributable to the provision of financial services was approximately HK\$1.5 million as compared to HK\$0.3 million for HY2018. The revenue was generated primarily from insurance brokerage fee income.

Gross Profit and Gross Profit Margin

Gross profit decreased by HK\$1.3 million or 8.9% from approximately HK\$14.3 million for HY2018 to approximately HK\$13.0 million for the Reporting Period. Such decrease was mainly due to a combined effect of (i) a decrease of approximately HK\$1.7 million in gross profit attributable to Construction Services; (ii) a decrease of approximately HK\$1.8 million in gross profit attributable to Trading Business; and (iii) an increase of approximately HK\$2.9 million in gross profit attributable to Prefabricated Precast Construction.

Gross profit margin increased from 18.2% for HY2018 to 31.1% for the Reporting Period. The increase was mainly due to an improvement in gross profit margin attributable to Construction Business and a decline in revenue from Trading Business which had a lower gross profit margin.

Administrative and Other Operating Expenses

Administrative and other operating expenses decreased by HK\$30.7 million from approximately HK\$58.7 million for HY2018 to approximately HK\$28.0 million for the Reporting Period. The decrease was primarily due to a combined effect of (i) a decrease of approximately HK\$20.8 million in share option expenses in respect of grant of share options to the Directors, employees and a consultant of the Group during HY2018, (ii) a decrease of approximately HK\$6.3 million in the operating expenses attributable to Trading Business and Agriculture Business for the Reporting Period, and (iii) a decrease of approximately HK\$1.5 million in provision for impairment loss on trade receivable during the Reporting Period.

Loss Attributable to Owners of the Company

Net loss attributable to the owners of the Company decreased by approximately HK\$10.2 million from approximately HK\$24.9 million for HY2018 to approximately HK\$14.7 million for the Reporting Period. The decrease was primarily due to a combined effect of (i) a decrease of HK\$30.7 million in administrative and other operating expenses as compared to HY2018; (ii) a decline in gross profit by approximately HK\$1.3 million for the Reporting Period as compared to HY2018; and (iii) a net gain and fair value change of HK\$19.2 million on financial assets at fair value through profit or loss was recognised for HY2018.

Liquidity, Financial Resources, and Capital Structure

As at 30 June 2019, the Group's current assets amounted to approximately HK\$129.7 million, of which approximately HK\$53.3 million was cash and cash equivalents, and approximately HK\$67.4 million were trade and other receivables. Current liabilities were approximately HK\$64.3 million, of which approximately HK\$21.3 million were trade and other payables and approximately HK\$4.0 million were an interest-bearing other loan. The Group's net current assets were approximately HK\$65.3 million as at 30 June 2019. The gearing ratio of the Group as at 30 June 2019 (defined as total borrowings including interest bearing and non-interest bearing, divided by the Group's total equity) was approximately 0.46 as compared to approximately 0.38 as at 31 December 2018.

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 mainly operated in Hong Kong and most of the operating transactions, revenue, expenses, monetary assets and liabilities were denominated in HK\$. 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

On 13 March 2018, the Company entered into an sales and purchase agreement (the "Disposal Agreement") to dispose of its entire shareholding in Mansion Point Internation Limited ("Mansion Point"), being 51% of its entire issued share capital, to an independent third party at a cash consideration of HK\$30,755,000 (the "Disposal").

The Disposal has been completed on 10 April 2019. Mansion Point together with its subsidiaries (the "Disposal Group") has since ceased to be subsidiaries of the Company and its financial results have no longer been consolidated into the Company's financial statements.

Debts and Charge on Assets

As at 30 June 2019, the borrowings of the Group amounted to approximately HK\$40.0 million (31 December 2018: approximately HK\$40.0 million). The annual interest rate of the borrowings was 7.5% per annum. All of the borrowings are unsecured and matures within one year. It was accounted for as current liabilities of the Group. All of the above were denominated in HK Dollars.

Employee and Remuneration Policies

As at 30 June 2019, the Group employed 163 staff. The total staff costs (including directors' emoluments) for the Reporting Period amounted to approximately HK\$9.6 million (HY2018: approximately HK\$10.0 million).

The salary and benefits of the employees of the Group were competitive. This is very important as the construction industry 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 training to employees in order to equip them with practical knowledge and skills for tackling challenges encountered in diverse work sites.

Commitments and Contingent Liability

The Group did not have material capital commitments and contingent liabilities as at 30 June 2019 (31 December 2018: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

DISCLOSURE OF INTERESTS

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

As at 30 June 2019, interests or short positions of the Directors, chief executives of the Company in the shares (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long Position in the Shares and underlying Shares

Name of Director	Capacity/Nature of interest	Number of Shares and underlying Shares held/interested in	Approximate percentage of shareholding
Zhou Jin	Beneficial owner	144,500,000	14.30%

(ii) As at 30 June 2019, none of the Directors or chief executive nor their associates had any short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations.

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

Save as disclosed below, as at 30 June 2019 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
Zhu Zhou	Beneficial owner	269,000,000	Long	26.62%
Huang Cheng	Beneficial owner	188,620,000	Long	18.66%

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) 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, Mr. Zhu Zhou (“Mr. Zhu”) was both Chairman and CEO of the Group. The Board was of the opinion that vesting the roles of both Chairman and CEO in Mr. Zhu 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 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 complied with the Code as set out in Appendix 15 to the GEM Listing Rules during the Report Period.

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 (six months ended 30 June 2018: Nil).

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 2 August 2014 (the “Share Option Scheme”). The Share Option Scheme will be valid and effective for a period of 10 years from the date of adoption. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

Particulars of the outstanding and movement of share options under the Share Option Scheme (the “Share Options”) during the Reporting Period are as follows:

Grantee	Date of grant	Number of Share Options				Exercise Period	Exercise price per share
		As at 1 January 2019	Granted during the Reporting Period	Exercised/ Lapsed during the Reporting Period	As at 30 June 2019		
Former Directors	14 June 2016	6,200,000	–	–	6,200,000	15 June 2016 to 14 June 2026	HK\$0.830
	19 June 2018	10,106,050	–	–	10,106,050	20 June 2018 to 19 June 2020	HK\$0.628
		<u>16,306,050</u>	<u>–</u>	<u>–</u>	<u>16,306,050</u>		

CHANGES IN INFORMATION OF DIRECTORS OR CHIEF EXECUTIVE

Changes in information of directors or Chief executive of the Company subsequent to the year ended 31 December 2018 is set out below:

Name of Director/

Chief executive	Capacity	Details of the change
Mr. Liu Yingjie	Executive Director and Chairman of the Board	Mr. Liu Yingjie has volunteered to reduce his director’s fee from HK\$1,200,000 per annum to HK\$600,000 per annum with effect from 1 July 2019
Ms. Zhou Jin	Executive Director	Ms. Zhou Jin has volunteered to reduce her director’s fee from HK\$1,200,000 per annum to HK\$600,000 per annum with effect from 1 July 2019
Mr. Lai Xiaoliang	Chief executive officer	Mr. Lai Xiaoliang has volunteered to reduce his salary from HK\$960,000 per annum to HK\$600,000 per annum with effect from the date of appointment (i.e. 19 July 2019)

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. As at the date of this announcement, the Audit Committee consists of three members, namely, Mr. Li Kar Fai Peter (Chairman of Audit Committee), Mr. Chan Chi Pan and Mr. Cao Hongmin.

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

By order of the Board
Glory Flame Holdings Limited
Liu Yingjie
Chairman

Hong Kong, 12 August 2019

As at the date of this announcement, the executive Directors are Mr. Liu Yingjie and Ms. Zhou Jin; and the independent non-executive Director is Mr. Cao Hongmin, Mr. Chan Chi Pan and Mr. Li Kar Fai Peter.