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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)

INSIDE INFORMATION

MEMORANDUM OF UNDERSTANDING

This announcement is made by the Company pursuant to Rule 17.10 of the GEM Listing Rules and the Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the SFO.

The Board is pleased to announce that on 22 January 2016 (after trading hours), the Company and the Target Company entered into the MOU in respect of the Proposed Acquisition.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Target Company and its ultimate beneficial owners are independent of the Company and its connected persons (as defined in the GEM Listing Rules).

Pursuant to the MOU, the Company shall be entitled to arrange its advisers or consultants to carry out due diligence review of the financial, legal and other affairs of the Target Group. The Target Company shall not during the Due Diligence Period negotiate or enter into any agreement or letter of intent with any other party relating to the Proposed Acquisition.

The Board wishes to emphasise that the Proposed Acquisition may or may not materialise and shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by the Company pursuant to Rule 17.10 of the GEM Listing Rules and the Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the SFO.

MEMORANDUM OF UNDERSTANDING

Date:

22 January 2016 (after trading hours)

Parties:

- (i) the Company; and
- (ii) the Target Company.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Target Company and its ultimate beneficial owners are Independent Third Parties.

SUBJECT MATTER OF THE MOU

The Company proposed to acquire the issued share capital of the Target Company (the “**Proposed Acquisition**”).

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company.

LED Company is a company incorporated in Hong Kong with limited liability and is an investment holding company. As at the date of this announcement and to the best knowledge of the Directors, the entire issued share capital of LED Company is owned by the Target Company.

Kepu Company is a company established in the PRC with limited liability and is principally in, among others, the research, development and manufacturing of LED digital modules, LED digital tube, LED full color matrix, LED light strips. As at the date of this announcement and to the best knowledge of the Directors, the entire equity interest of Kepu Company is owned by LED Company.

Due Diligence

Pursuant to the MOU, the Company shall be entitled to arrange its advisers or consultants to carry out due diligence review of the financial, legal and other affairs of the Target Group (the “**Due Diligence Review**”). The Target Company shall provide such assistance as the Company may require in connection with the Due Diligence Review, including but not limited to providing the information and documents as required by the Company, its agents or advisers and replying to the enquiries raised by the Company, its agents or advisers.

The Company shall complete the Due Diligence Review within six months of the date of the MOU (the “**Due Diligence Period**”), and shall confirm in writing whether the Company will proceed with the Proposed Acquisition within seven days after the expiry of the Due Diligence Period. If the Company confirms to proceed with the Proposed Acquisition, the Company and the Target Company will negotiate for the details of the Proposed Acquisition.

Exclusivity

Unless the Company notifies the Target Company in writing that the Company decides not to proceed with the Proposed Acquisition, the Target Company shall not during the Due Diligence Period negotiate or enter into any agreement or letter of intent with any other party relating to the Proposed Acquisition.

Termination

If the Company and the Target Company do not enter into any formal agreement in respect of the Proposed Acquisition after the expiry of the Due Diligence Period or the Company notifies in writing to the Target Company before the expiry of the Due Diligence Period that the Company decides not to proceed with the Proposed Acquisition, the MOU shall automatically terminate and no party shall have any obligation with respect to the other party under the MOU.

REASON FOR ENTERING INTO THE MOU

In order to maximise return to the Company and the shareholders of the Company in the long run, the Directors consider that it is in the interest of the Company and its shareholders to enter into the MOU to explore the possibility of diversification of the business of the Company and its subsidiaries. The Proposed Acquisition, should it materialise, will improve the Group’s future earnings ability which will be in the best interests of the Company and its shareholders as a whole.

The Board wishes to emphasise that the Proposed Acquisition may or may not materialize and shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Company”	Glory Flame Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the GEM of the Stock Exchange
“Director(s)”	the director(s) of the Company

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Independent Third Parties”	a person(s) or company(ies) which is/are independent of and not connected with any of the Directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of its respective associates (as defined under the GEM Listing Rules)
“Kepu Company”	Kepu Electronic Technical (Shenzhen) Company Limited (科 普 電 子 技 術 (深 圳) 有 限 公 司), a company established in the PRC with limited liability
“LED Company”	LED International (Far East) Limited (鴻 邦 科 技 (中 國) 有 限 公 司), a company incorporated in Hong Kong with limited liability
“MOU”	the memorandum of understanding dated 22 January 2016 entered into between the Company and the Target Company in relation to the proposed acquisition of the Target Company
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SFO”	the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Time Season Investments Limited, a company established in the British Virgin Islands with limited liability
“Target Group”	collectively, the Target Company, LED Company and Kepu Company

By order of the Board
Glory Flame Holdings Limited
Pei Wing Fu
Chairman

Hong Kong, 22 January 2016

As at the date of this announcement, the executive Directors are Mr. Pei Wing Fu, Ms. Pei Wing Sze Clare, Mr. Liu Zhong Ping and Ms. Che Xiaoyan; the non-executive Director is Mr. Zheng Si Rong; and the independent non-executive Directors are Prof. Lam Sing Kwong Simon, Ms. Wong Wai Ling, Ms. Lee Suk Fong, Mr. Tsang Wai Wa and Mr. Liu Ping.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

This announcement will remain on the “Latest Company Announcements” page of the website of the Growth Enterprise Market of the Stock Exchange at www.hkgem.com for at least seven days from the date of publication. This announcement will also be published on the website of the Company at www.drillcut.com.hk.