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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)

MEMORANDUM OF UNDERSTANDING

This announcement is made by Glory Flame Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on 13 December 2016 (after trading hours), the Company entered into a memorandum of understanding (the “**MOU**”) with 武漢市漢金堂投資有限公司 (Wuhan City Han Jin Tang Investment Company Limited*) (the “**Contractor**”), a company established in the People’s Republic of China (the “**PRC**”), pursuant to which the Company and the Contractor intend to cooperate to undertake a housing demolition and replacement project (the “**Project**”) in Wuhan, the PRC.

The Housing Demolition and Replacement Project

The local government has approved the implementation of the Project. For funding the operations of the Project, including the payment of compensations to the affected local residents, the Contractor shall deposit housing replacement compensation fee in the amount of RMB100 million (the “**Contractor Fund**”) to a designated bank account within one year after the publication of the housing demolition and replacement proposal (the “**Proposal**”) to the local residents. Pursuant to the terms of the MOU, the Company shall pay guarantee fee in the amount of RMB50 million (the “**Guarantee Fee**”) to the Contractor within 3 days after the signing of the formal agreement by the parties.

The Company shall be responsible for formulating and implementing the Proposal for the local residents, handling the deregistration of land use right certificates and housing ownership certificates, clearing the wastes from housing demolition and obtaining the approval certificate from the relevant governmental authority upon completion of the Project.

The Company shall complete all its duties in respect of the Project within one year after the fifteen day from the publication of the Proposal, after which the Company shall be entitled to full refund of the Guarantee Fee and an additional bonus. The calculation of the amount of bonus will be set out in the formal agreement to be entered into by the parties (if entered into).

* *for identification purposes only*

As at the date of this announcement, to the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, the Contractor is a third party independent of the Company and its connected persons (as defined in the GEM Listing Rules).

Due diligence

The Company shall be entitled to conduct due diligence on the financial and legal position of the Contractor within a period of 21 days from the date of the MOU for considering the feasibility of the Project. Upon satisfaction of the result of the due diligence by the Company, the parties shall negotiate the timetable and details of the Project.

Exclusivity

Pursuant to the terms of the MOU, during the period of 21 days from the date of the MOU (or any other date as agreed by the parties), the Contractor shall not discuss or negotiate with any other third party in connection with the Project, nor enter into any agreement or other memorandum of understanding.

Reasons and benefits of the Project

The principal activity of the Company is investment holding. The Group's principal activities are the provision of concrete demolition services in Hong Kong as a subcontractor. The Group's concrete demolition services are mainly concerned with the removal of pieces or sections of concrete from concrete structures by applying a variety of methods, such as core drilling, sawing, bursting and crushing, etc. The Board has been actively taking steps to identify new business opportunities in the PRC in order to broaden the revenue base of the Group. The Board considers that the entering into of the Project can serve such purpose by diversifying the geographical segment of the Group's mainstream business.

As the parties have not entered into the final definitive agreements in relation to the Project contemplated under the MOU, and the final structure and terms of the Project are still subject to due diligence and further negotiation among the parties, the Project may or may not materialize and the final structure and terms may deviate from those set out in the MOU. Accordingly, shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares or other securities of the Company.

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

Hong Kong, 13 December 2016

As at the date of this announcement, the executive Directors are Ms. Che Xiaoyan, Mr. Liu Zhong Ping and Mr. Man Wai Lun; the non-executive Directors are Mr. Zheng Si Rong and Mr. Wong Tik Tung; and the independent non-executive Directors are Mr. Liu Ping, Mr. Chan Kam Wah and Mr. Bai Honghai.

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 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.