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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

CHARACTERISTICS OF 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.

*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.*

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2019, the operating results of the Group were as follows:

- Revenue amounted to approximately HK$93.3 million (2018: approximately HK$133.6 million), representing a decrease of approximately 30.2% from last year;
- Net loss for the year ended 31 December 2019 amounted to approximately HK$48.3 million (2018: net loss of approximately HK$199.6 million);
- Basic and diluted loss per share for the year ended 31 December 2019 based on weighted average number of ordinary shares was approximately HK4.39 cents (2018: Basic and diluted loss per share of approximately HK19.93 cents);
- The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019 together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**93,341**	133,631
Cost of sales		**(66,237)**	(105,088)
Gross profit		**27,104**	28,543
Interest revenue		**63**	7
Other income and other gains or losses	*5*	**(1,412)**	595
Loss on investments at fair value through profit or loss		**–**	(35,651)
Share-based payments		**–**	(20,798)
Impairment losses on various assets		**(21,789)**	(104,302)
Administrative and other operating expenses		**(47,826)**	(64,811)
Operating loss		**(43,860)**	(196,417)
Finance costs		**(4,026)**	(3,000)
Loss before income tax		**(47,886)**	(199,417)
Income tax	*7*	**(400)**	(164)
Loss for the year	*8*	**(48,286)**	(199,581)
Other comprehensive loss:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(992)**	(3,220)
Total other comprehensive loss for the year		**(992)**	(3,220)
Total comprehensive loss for the year		**(49,278)**	(202,801)

	Notes	For the year ended 31 December **2019** *HK$'000*	2018 *HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(44,411)**	(194,804)
Non-controlling interests		**(3,875)**	(4,777)
		(48,286)	(199,581)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(45,035)**	(198,507)
Non-controlling interests		**(4,243)**	(4,294)
		(49,278)	(202,801)
Loss per share	*10*		
Basic (HK cents per share)		**(4.39)**	(19.93)
Diluted (HK cents per share)		**(4.39)**	(19.93)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**15,490**	16,529
Right-of-use assets		**12,753**	–
Goodwill		**938**	2,877
Intangible assets		**–**	–
		29,181	19,406
Current assets			
Inventories		**2,359**	6,048
Trade and other receivables	*11*	**76,706**	65,727
Bank and cash balances	*12*	**30,492**	39,169
		109,557	110,944
Disposal group classified as held for sale		**–**	31,128
		109,557	142,072
Current liabilities			
Trade and other payables	*13*	**13,640**	17,064
Borrowings		**45,800**	40,000
Lease liabilities		**4,607**	–
Amount due to a director		**10,450**	–
Tax payable		**156**	232
		74,653	57,296
Liabilities directly associated with disposal group classified as held for sale		**–**	13
		74,653	57,309
Net current assets		**34,904**	84,763
Total assets less current liabilities		**64,085**	104,169

	Notes	At 31 December 2019 HK$'000	2018 HK$'000
Non-current liabilities			
Lease liabilities		**8,813**	–
Deferred tax liabilities		**433**	33
		9,246	33
NET ASSETS		**54,839**	104,136
Capital and reserves			
Share capital	*14*	**10,106**	10,106
Reserves		**49,056**	94,091
Equity attributable to owners of the Company		**59,162**	104,197
Non-controlling interests		**(4,323)**	(61)
TOTAL EQUITY		**54,839**	104,136

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

Glory Flame Holdings Limited (the "**Company**") 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. The address of its 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's shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The principal activities of its subsidiaries are (i) provision of contruction service and building materials supply, (ii) sales of agriculture-related products, and (iii) trading of clean coal and others.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

HKFRS 16 "Leases"

The Group was initially applied HKFRS 16 "Leases" with effect from 1 January 2019 and has taken transitional provisions and methods not to restate comparative information for prior period.

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under HKAS 17 "Leases", resulted in changes in the consolidated amounts reported in the financial statements as follows:

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

	1 January 2019 *HK$'000*
At 1 January 2019:	
Increase in right-of-use assets	**17,570**
Increase in lease liabilities	**17,570**

The operating lease commitments disclosed as at 31 December 2018 were HK$19,965,000, while the lease liabilities recognised as at 1 January 2019 were HK$17,570,000, of which HK$5,223,000 were current lease liabilities and HK$12,347,000 were non-current lease liabilities.

The differences between the operating lease commitments discounted using the lessee's incremental borrowing rate of 5.125% and the total lease liabilities recognised in the consolidated statement of financial position at the date of initial application of HKFRS 16 comprised the exclusion of short-term leases recognised on a straight-line basis as expenses.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. SEGMENT INFORMATION

The Group has four (2018: four) reportable segments as follows:

Construction	Provision of concrete demolition and construction engineering services; construction works, and manufacturing and trading of prefabricated precast construction
Agricultural equipment	Trading of Ecological LED Cultivation Cabinet System
Trading business	Trading of clean coal and others
Financial services	Provision of insurance brokerage and consultancy 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 the Group's accounting policies. Segment profits or losses do not include interest revenue, income tax, gains or losses from investments and other unallocated corporate income and expenses. Segment assets do not include bank and cash balance and other unallocated corporate assets. Segment liabilities do not include other loan, tax payables, deferred tax liabilities and other unallocated corporate liabilities.

The segment of financial services were ceased from operation during the current year.

Information about reportable segment profit or loss, assets and liabilities:

	Construction *HK$'000*	Agricultural equipment *HK$'000*	Trading business *HK$'000*	Financial services *HK$'000*	Total *HK$'000*
Year ended 31 December 2019:					
Revenue from external customers	**90,702**	**–**	**1,055**	**1,584**	**93,341**
Segment loss	**(1,515)**	**(2,170)**	**(7,014)**	**(11,156)**	**(21,855)**
Depreciation of property, plant and equipment	**3,459**	**–**	**1,445**	**–**	**4,904**
Depreciation of right-of-use asset	**1,253**	**–**	**–**	**–**	**1,253**
Impairment loss on trade receivables, net	**508**	**1,142**	**3,509**	**–**	**5,159**
Impairment loss on other receivables, net	**–**	**73**	**–**	**10,663**	**10,736**
Impairment loss on prepayments and trade deposits, net	**4,505**	**–**	**–**	**–**	**4,505**
Additions to segment non-current assets	**6,660**	**–**	**–**	**–**	**6,660**
At 31 December 2019:					
Segment assets	**91,081**	**83**	**5,088**	**83**	**96,335**
Segment liabilities	**16,795**	**–**	**1,602**	**–**	**18,397**
Year ended 31 December 2018:					
Revenue from external customers	88,313	878	43,887	553	133,631
Segment loss	(5,987)	(56,842)	(51,125)	(1,207)	(115,161)
Depreciation of property, plant and equipment	3,457	4,093	–	–	7,550
Amortisation of intangible assets	–	1,470	–	–	1,470
Impairment loss on trade and other receivables, net	1,002	–	45,670	–	46,672
Impairment loss on prepayments and trade deposits	9,850	40,718	–	–	50,568
Impairment loss on property, plant and equipment	–	4,122	–	–	4,122
Impairment loss on intangible assets	–	2,940	–	–	2,940
Additions to segment non-current assets	3,183	777	4,495	–	8,455
At 31 December 2018:					
Segment assets	48,741	3,099	15,556	10,989	78,385
Segment liabilities	7,223	112	4,572	209	12,116

Reconciliations of reportable segment profit or loss, assets and liabilities:

	2019	2018
	HK$'000	*HK$'000*
Profit or loss:		
Total profit or loss of reportable segments	**(21,855)**	(115,161)
Share-based payments	**–**	(20,798)
Loss on investments at fair value through profit or loss	**–**	(35,651)
Corporate and unallocated profit or loss	**(26,031)**	(27,807)
Consolidated profit or loss before tax	**(47,886)**	(199,417)
Assets:		
Total assets of reportable segments	**96,335**	78,385
Bank and cash balances	**30,492**	39,169
Disposal group classified as held for sale	**–**	31,128
Corporate and unallocated assets	**11,911**	12,796
Consolidated total assets	**138,738**	161,478
Liabilities		
Total liabilities of reportable segments	**18,397**	12,116
Borrowings	**45,800**	40,000
Liabilities directly associated with disposal group classified as held for sale	**–**	13
Deferred tax liabilities	**433**	33
Corporate and unallocated liabilities	**19,269**	5,180
Consolidated total liabilities	**83,899**	57,342

Geographical information:

	2019	2018
	HK$'000	*HK$'000*
Revenue:		
Hong Kong	**62,873**	84,285
The People's Republic of China	**30,468**	49,346
	93,341	133,631

In presenting the geographical information, revenue is based on the locations of the customers.

	2019	2018
	HK$'000	*HK$'000*
Non-current assets		
Hong Kong	**13,556**	8,474
The People's Republic of China (the "**PRC**")	**15,625**	10,932
	29,181	19,406

Information about revenue from the Group's customer individually contributing over 10% of total revenue of the Group is as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer A# – Construction business segment	**19,877**	–
Customer B* – Trading business segment	**–**	20,857

Customer A did not contribute over 10% of the Goup's revenue for the year ended 31 December 2018, the figure shown was for comparative purpose only.

* Customer B did not contribute over 10% of the Goup's revenue for the year ended 31 December 2019, the figure shown was for comparative purpose only.

4. REVENUE

The Group's revenue is analysed as follows:

	2019 *HK$'000*	2018 *HK$'000*
Provision of concrete demolition and construction engineering services	**61,289**	83,803
Manufacturing and trading of prefabricated precast construction	**29,413**	4,510
Trading of LED Cultivation Cabinet	**–**	878
Trading of clean coal	**1,055**	38,206
Trading of air conditoners	**–**	5,681
Provision of insurance brokerage and consultancy services	**1,584**	553
	93,341	133,631

5. OTHER INCOME AND OTHER GAINS OR LOSSES

	2019 *HK$'000*	2018 *HK$'000*
Dividend income	**–**	322
Reversal of impairment losses on trade and other receivables	**222**	93
Net foreign exchange (loss)/gain	**(51)**	70
Loss on disposals of property, plant and equipment	**(11)**	(193)
Written off of inventory	**(904)**	–
Loss on disposals of subsidiaries	**(2,075)**	–
Wavier of trade payables	**589**	–
Others	**818**	303
	(1,412)	595

6. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2019

On 19 January 2019, the Group have completed the disposal of Hong Kong Xincheng Hi-Tech Co. Limited (the "**HK Xincheng**"), being a wholly-owned subsidiary to an independent third party for a cash consideration of HK$3,000 (the "**HK Xincheng Disposal**"). The disposal was completed during the current year.

HK Xincheng was dormant.

On 13 March 2018, the Group had entered into disposal agreement with an independent third party, in which the Group would dispose 25,500 shares (the "**Mansion Point Disposal**") among 50,000 ordinary shares, being the entire shares owned by the Group, in issue of Mansion Point Internation Limited and its subsidiaries (collectively referred to as the "**Mansion Point Group**") at a total cash consideration of HK$30,755,000. The disposal was completed during the current year.

Mansion Point Group was principally engaged in investment holding.

On 28 November 2019, the Group had entered into disposal agreement with independent third party, in which the Group would dispose 2,370,000 shares (the "**Yuanfeng Disposal**") among 3,950,000 ordinary shares, being the entire shares owned by the Group, in issue of Hong Kong Yuanfeng Insurance Brokers Limited (the "**Yuanfeng**") at a total consideration of HK$122,422. The disposal was completed during the current year.

Yuanfeng was principally engaged in provision of insurance brokerage and consultancy services.

Net assets at the date of disposal were as follows:

	HK Xincheng Disposal *HK$'000*	Mansion Point Disposal *HK$'000*	Yuanfeng Disposal *HK$'000*	Total *HK$'000*
Goodwill	**–**	**–**	**1,939**	**1,939**
Prepayments, deposits and other receivables	**–**	**–**	**211**	**211**
Bank and cash balances	**3**	**–**	**15**	**18**
Accruals and other payables	**(16)**	**–**	**(23)**	**(39)**
Asset of disposal group classified as held for sale	**–**	**31,115**	**–**	**31,115**
Liabilities directly associated with disposal group	**–**	**(72)**	**–**	**(72)**
Net assets disposed of	**(13)**	**31,043**	**2,142**	**33,172**
Release of foreign currency translation reserve	**–**	**2**	**–**	**2**
Non-controlling interests	**6**	**(144)**	**(81)**	**(219)**
Loss on disposal of subsidiaries	**10**	**(146)**	**(1,939)**	**(2,075)**
Total consideration – satisfied by cash	**3**	**30,755**	**122**	**30,880**
Net cash inflow arising on disposal:				
Cash consideration received	**3**	**30,755**	**–**	**30,758**
Cash and cash equivalents disposed of	**(3)**	**(4)**	**(15)**	**(22)**
	–	**30,751**	**(15)**	**30,736**

7. INCOME TAX

	2019	2018
	HK$'000	*HK$'000*
Current tax – Hong Kong profits tax:		
Provision for the year	**–**	1,049
Over-provision in prior years	**–**	(27)
	–	1,022
Current tax – PRC Enterprise Income Tax:		
Provision for the year	**–**	24
Deferred tax	**400**	(882)
Income tax expense	**400**	164

Hong Kong Profits Tax is provided at 16.5% (2018: 16.5%) based on the assessable profit for the year.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

8. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold/services provided	**66,237**	105,088
Depreciation of property, plant and equipment	**7,460**	8,652
Depreciation of right-of-use assets	**6,092**	–
Amortisation of intangible assets	**–**	1,470
Reversal of impairment loss on trade and other receivables	**(222)**	(93)
Loss on disposals of subsidiaries	**2,075**	–
Loss on disposals of property, plant and equipment	**11**	193
Written off of property, plant and equipment	**114**	835
Written off of inventories (included in cost of sales)	**904**	–
Impairment losses on various assets		
Trade receivables	**5,379**	46,672
Prepayments and trade deposits	**5,672**	50,568
Other receivables	**10,738**	–
Property, plant and equipment	**–**	4,122
Intangible assets	**–**	2,940
	21,789	104,302
Staff costs (including directors' remuneration)		
Salaries, bonus and allowances	**33,022**	34,302
Share-based payments	**–**	18,921
Retirement benefits scheme contributions	**465**	610
	33,487	53,833
Share-based payments to consultant	**–**	1,877
Operating lease rentals in respect of office premises	**–**	8,780
Expenses related to short-term lease	**683**	–
Auditor's remuneration	**780**	880

9. DIVIDEND

The Directors do not recommend the payment of an final dividend for the year ended 31 December 2019 (2018: nil).

10. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$44,411,000 (2018: approximately HK$194,804,000) and the weighted average number of ordinary shares of 1,010,605,000 (2018: 977,581,000) in issue during the year.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2019 and 2018.

11. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**87,680**	78,776
Less: allowance for impairment of trade receivables	**(51,777)**	(47,022)
Trade receivables, net	**35,903**	31,754
Retention receivables	**2,911**	3,398
Less: allowance for impairment of retention receivables	**(28)**	(54)
Retention receivables, net	**2,883**	3,344
Prepayments and trade deposits	**57,861**	60,063
Less: allowance for impairment of prepayments and trade deposits *(note)*	**(56,156)**	(50,568)
	1,705	9,495
Other deposits and receivables	**46,793**	21,134
Less: allowance for impairment of other receivables	**(10,578)**	–
	36,215	21,134
	76,706	65,727

Note: The amount mainly represents the impairment loss on prepayment to suppliers in trading of Ecological LED Cultivation Cabinet System business segment amounted to approximately HK$40,719,000. During the year ended 31 December 2018, due to the unfavourable performance of this business segment, the management was unable to well utilize the prepayment for production of Ecological LED Cultivation Cabinet System. The management is in progress on negotiating with the supplier in order to agree the refund arrangement, yet up to the end of reporting period, no formal agreement have been signed between the Group and the supplier. As advised by the Group's legal adviser, the Group may not be able to collect the refund by supplier, hence, impairment losses of approximately HK$40,719,000 have been recognised during the year ended 31 December 2018.

The Group allows an average credit period of 45 days to its trade customers. The following is ageing analysis of trade receivables based on invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
0 ~ 30 days	**6,305**	8,054
31 ~ 60 days	**4,909**	4,650
61 ~ 90 days	**6,499**	2,384
91 ~ 365 days	**12,909**	10,855
Over 365 days	**5,281**	5,811
	35,903	31,754

Reconciliation of loss allowance for trade receivables:

	2019	2018
	HK$'000	*HK$'000*
At the beginning of the year	**47,022**	428
Increase in loss allowance for the year	**5,379**	46,672
Reversal of loss allowance for the year	**(220)**	(93)
Receivables written off during the period as uncollectable	**(326)**	–
Exchange difference	**(78)**	15
At the end of the year	**51,777**	47,022

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Over 30 days past due	Over 60 days past due	Over 90 days past due	Over 365 days past due	Total
At 31 December 2019						
Weighted average expected loss rate	**3%**	**3%**	**3%**	**3%**	**91%**	**59%**
Receivable amount *(HK$'000)*	**11,193**	**2,969**	**5,707**	**12,179**	**55,632**	**87,680**
Loss allowance *(HK$'000)*	**336**	**89**	**171**	**399**	**50,782**	**51,777**
At 31 December 2018						
Weighted average expected loss rate	3%	3%	4%	3%	89%	60%
Receivable amount *(HK$'000)*	12,539	2,250	1,765	10,262	51,960	78,776
Loss allowance *(HK$'000)*	373	67	77	311	46,194	47,022

12. BANK AND CASH BALANCES

As at 31 December 2019, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$684,000 (2018: HK$3,074,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

At the end of the reporting period, bank and cash balances comprise cash held by the Group and short-term bank deposits with an original maturity period of three months or less. Bank balance carried interest at market rates ranging from 0.001% to 0.35% per annum (2018: 0.001% to 0.35%).

13. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**5,560**	6,245
Accruals	**3,940**	4,773
Other payables	**4,140**	6,046
	13,640	17,064

Note:

Payment terms granted by suppliers are 30 days from the invoice date of the relevant purchases.

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

	2019	2018
	HK$'000	*HK$'000*
0 ~ 30 days	**1,378**	3,738
31 ~ 60 days	**324**	79
61 ~ 90 days	**587**	–
Over 90 days	**3,271**	2,428
	5,560	6,245

14. SHARE CAPITAL

	Note	Number of shares	Ordinary shares HK$'000
Authorised:			
Ordinary shares of HK$0.01 each:			
As at 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019		2,000,000,000	20,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each:			
As at 1 January 2018		929,707,000	9,297
Issue of shares on placement	*(a)*	80,898,000	809
As at 31 December 2018 and 31 December 2019		1,010,605,000	10,106

Notes:

(a) Completion of the share placement took place on 30 May 2018 pursuant to which 80,898,000 placement shares were issued under the placement agreement at the placement price of HK$0.5 per placing share at an aggregate consideration of approximately HK$40,449,000, of which approximately HK$809,000 was credited to share capital and the remaining balance of approximately HK$38,831,000 (net of issuing expenses of approximately HK$809,000) was credited to share premium. Details of the placement were set out in the Company's announcements dated 30 May 2018.

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

BUSINESS REVIEW

The principal activity of the Company is investment holding. For the year ended 31 December 2019 (the "**Reporting Period**"), the Group mainly engages in (i) provision of construction services and building materials supply (the "**Construction Business**"), (ii) Sales of agriculture-related products (the "**Agricultural Business**"), and (iii) trading of clean coal and others (the "**Trading Business**"),

During the Reporting Period, the Group decided to discontinue the business of financial services (the "**Financial Services**").

Construction Business

(a) Concrete demolition services and other construction services

Concrete demolition is one aspect 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 (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.

The customers of the Group's concrete demolition services 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.

	2019	2018
	HK$'000	*HK$'000*
Revenue from		
– private sector project	**51,139**	43,106
– public sector project	**10,150**	40,697
	61,289	83,803

(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 building 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; which is based in Guangzhou, the PRC, in bid to explore the construction projects in the overseas countries along the Belt and Road. In July 2019, the Group entered into a framework agreement with the high-tech 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. However, in November 2019, the Group and the Australian Construction Company agreed to terminate the framework agreement as its construction plan was postponed. The Group continues to co-operate with the high-tech construction company to look to the other prefabricated precast construction project in overseas market.

Agriculture Business

With 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 a non-legally binding cooperative intent agreement (the "**Intent Agreement**") in relation to the proposed investment (the "**Proposed Investment**") in the Target Company. It was proposed that the Company shall invest 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. The negotiation and due diligence review in respect of the Proposed Investment is still ongoing.

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.

* *For identification purpose only*

Trading Business

Trading Business primarily comprised the trading of clean coal. Its coal resource was 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.

During the Reporting Period, the Group has maintained the service of coal washing for the suppliers and receives the processing fee based on the weight of output.

Financial Services

Financial Services business includes provision of insurance brokerage and consultancy services in Hong Kong and provision of commercial factoring services in the PRC. The Group has ceased all commercial factoring services during the Reporting Period.

On 28 November 2019, the Group entered in sales and purchase agreement with independent third party to dispose of the 60% of share capital of Hong Kong Yuanfeng Insurance Brokers Limited ("**Yuanfeng Insurance**") at the consideration of approximately HK$122,000. Yuanfeng Insurance engages in provision of insurance brokerage consultancy services in Hong Kong. The Group decided to discontinue the Financial Services business as the Group expects that the interests of customers in China for the insurance products in Hong Kong will be on the wane amid the slowing economy in China.

FINANCIAL REVIEW

Revenue

Revenue decreased by approximately HK$40.3 million or 30.2% from approximately HK$133.6 million for the year ended 31 December 2018 ("**FY2018**") to approximately HK$93.3 million for the Reporting Period. The analysis of revenue was shown as follows:

Revenue by nature

	2019	2018
	HK$'000	*HK$'000*
Construction Business		
– Provision of Construction Services	**61,289**	83,803
– Prefabricated Precast Construction	**29,413**	4,510
	90,702	88,313
Agriculture Business		
– Trading of ecological LED cultivation cabinet and others	**–**	878
Trading Business		
– Trading of clean coal and others	**1,055**	43,887
Financial Services		
– Provision of financial services	**1,584**	553
	93,341	133,631

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 and/or its installations (the "**Prefabricated Precast Construction**")

For the Reporting Period, revenue attributable to Construction Business was approximately HK$90.7 million, representing an increase of approximately HK$2.4 million or 2.7% as compared with approximately HK$88.3 million for FY2018. The increase was primarily due to a combined effect of (i) an increase of HK$24.9 million in revenue from Prefabricated Precast Construction and (ii) a decrease of HK$22.5 million in revenue from Construction Services, primarily resulting from a decrease of HK$20.1 million in revenue from construction project of Shatin to Central Link that was terminated in October 2018.

Agriculture Business

The Group decided to suspend the business development 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 during FY2018. The Group is now conducting the business strategy review on Agriculture Business.

The Group recorded no revenue from Agriculture Business during the Reporting Period. For FY2018, revenue attributable to Agriculture Business was approximately HK$0.9 million that was generated from sales and leasing of the hydroponic planting racks.

Trading Business

Revenue attributable to Trading Business decreased by approximately HK$42.8 million from HK$43.9 million for FY2018 to HK$1.1 million for the Reporting Period. The decrease was primarily due to grinding to halt for trading of clean coal. The Group only maintained the service of coal washing for the suppliers and received the processing fee during the Reporting Period.

Financial Services

Revenue attributable to Financial Services was approximately HK$1.6 million for the Reporting Period, representing an increase of HK$1.0 million as compared to HK$0.6 million for FY2018. The revenue from Financial Services was primarily generated from insurance brokerage fee income.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately HK$1.4 million or 4.9% from approximately HK$28.5 million for FY2018 to approximately HK$27.1 million for the Reporting Period. Such decrease was primarily due to a combined effect of (i) a decrease of approximately HK$5.8 million in gross profit from Trading Business, and (ii) an increase of approximately HK$4.9 million in gross profit from Construction Business

Gross profit margin increased from 21.4% for FY2018 to 29.0% for the Reporting Period. The increase was primarily due to an increase of approximately 4.7 percentage points in gross profit margin from Construction Business and also a decrease in revenue from Trading Business that had a lower gross profit margin.

Impairment Losses on Various Assets

Impairment losses of HK$21.8 million on various assets were provided for the Reporting Period, representing a decrease of HK$82.5 million as compared to HK$104.3 million for FY2018. Such decrease was primarily due to a decrease of HK$41.3 million in provision for impairment loss on trade receivables and a decrease of HK$44.9 million in provision for impairment loss on prepayment and trade deposit.

During the Reporting Period, an additional impairment loss of HK$5.4 million on trade receivable was made primarily due to an increase in gross trade receivable resulting from delaying the payment of our invoices for customers mainly attributable to Construction Business owing to the tightening financial market conditions. During FY2018, an impairment loss of HK$46.7 million on trade receivables due from customers mainly attributable to Trading Business as a result of the worsened credit quality of customers amid the global economic downturn.

During the Reporting Period, an impairment loss of HK$5.7 million on prepayment and trade deposit attributable to Trading Business and Construction Business, resulting from that the suppliers were unable to fulfil our purchase orders by virtue of financial difficulties. During FY2018, an impairment loss of HK$50.6 on prepayment and trade deposit mainly attributable to Agriculture Business resulted from the discontinuance of the marketing and production plan for ecological LED cultivation cabinet system.

During the Reporting Period, an impairment loss of HK$10.7 million on other receivable in relation to the factoring loan granted to customers was provided. These factoring loans were default. The Group was taking necessary action to recover the loan.

Administrative and Other Operating Expenses

Administrative and other operating expenses decreased by approximately HK$17.0 million from approximately HK$64.8 million for FY2018 to approximately HK$47.8 million for the Reporting Period. Such decrease was primarily due to (i) a decrease of approximately HK$13.5 million in administrative and operating expenses attributable to Trading Business and Agriculture Business, due to suspension of trading of ecological LED cultivation cabinet system and trading of clean coal; (ii) a decrease of approximately HK$5.0 million in general administrative expenses of head office in Hong Kong, primarily resulting from a decrease in rental expenses and legal and professional fee; and (iii) an increase of approximately HK$6.0 million in administration and operating expenses attributable to Construction Business, primarily resulting from an increase in transportation cost and research and development expenses.

Loss Attributable to Owners of the Company

The Group's loss attributable to owners of the Company was approximately HK$44.4 million for the Reporting Period, representing a decrease of HK$150.4 million as compared to a loss of HK$194.8 million attributable to owners of the Company for FY2018. The decrease was primarily due to a combined effect of (i) a decrease of HK$35.7 million in a loss of sales of investments in securities; (ii) a decrease of HK$20.8 million in share option expenses; (iii) a decrease of HK$41.3 million in impairment loss on trade receivables (iv) a decrease of HK$47.8 million in an impairment loss in association with discontinuing the business plan for the ecological LED cultivation cabinet system; and (v) a decrease of HK$17.0 million in administrative and other operating expenses.

Use of Proceeds of Initial Public Offerings

The net proceeds from the placing of the shares of the Company in connection with the listing (the "**Listing**") was approximately HK$31.2 million. During the period from 15 August 2014 (the "**Listing Date**") to 31 December 2019, the net proceeds from the Listing were applied as follows:

	Planned use of proceeds as stated in the Prospectus	**Actual use of proceeds up to 31 December 2019**
	HK$' million	*HK$' million*
Enhancing machinery and equipment	16.4	13.1
Strengthening manpower	4.6	4.6
Increasing marketing efforts	1.7	1.7
Repayment of bank borrowings	5.5	5.5
General working capital	3.0	3.0
	31.2	27.9

The Group expects the unutilized use of proceeds will be used as planned above during year 2020.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2019, the Group had cash and bank deposits of approximately HK$30.5 million (2018: approximately HK$39.2 million).

The gearing ratio of the Group as at 31 December 2019 (defined as total borrowings including interest bearing and non-interest bearing, divided by the Group's total equity) was approximately 0.84 (2018: approximately 0.38).

Treasury Policy

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

Foreign Exchange Risk

The Group principally operates its businesses in Hong Kong and the PRC. The Group is exposed to foreign exchange fluctuations from various currencies, such as United States dollars and Chinese Renminbi. Since Hong Kong dollars remains pegged to the United States dollars within a defined range, the Group is not exposed to any significant foreign exchange risk against the United States dollars. The Group has certain subsidiaries operating in mainland China, in which most of their transactions, including revenue, expenses and other financing activities, are denominated in Chinese Renminbi. The Group is not exposed to any significant foreign exchange transaction risk in relation to these currencies and had not entered into any foreign exchange contract as hedging measures against these currencies.

Material Acquisitions and Disposal of Subsidiaries and Associated Companies

Pre-stressed concrete pile business

On 13 March 2018, the Company entered into a sale and purchase agreement ("**Disposal Agreement**"), to dispose of its entire shareholding in Mansion Point Internation Limited, 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 had been completed on 10 April 2019 in accordance with the terms and conditions of the Disposal Agreement. Mansion Point, together with its subsidiaries, had since ceased to be the subsidiaries of the Company and its financial results of the Disposal Group would no longer be consolidated into the Company's financial statements.

Insurance brokerage business

On 28 November 2019, the Group entered in sales and purchase agreement with independent third party to dispose of the 60% of share capital of Hong Kong Yuanfeng Insurance Brokers Limited ("**Yuanfeng Insurance**") at the consideration of approximately HK$122,000. Yuanfeng Insurance engages in provision of insurance brokerage consultancy services in Hong Kong.

Events after the Reporting Period

The coronavirus disease 2019 outbreak since early 2020 has brought additional uncertainties in the global macroeconomic situation. The Group expects the event may potentially affect the Group's business performance in the first half year of 2020. The degree of impact could not be reasonably estimated at this stage. The Group will closely monitor the development of the epidemic and assess its impact on the financial position and operating results of the Group.

Debts and Charge on Assets

As at 31 December 2019, the total borrowings of the Group, including unsecured bonds and other loan, amounted to approximately HK$45.8 million, as compared to approximately HK$40.0 million as at 31 December 2018. The annual interest rates of the borrowings for the Reporting Period ranged from 7.5% to 9.0% (2018: 0% to 7.5%) per annum. All of the borrowings are unsecured and matures in one year. It was accounted for as current liabilities of the Group. All of the above are denominated in Hong Kong Dollars.

Capital Commitments

The Group does not have material capital commitments as at 31 December 2019 (2018: Nil).

Contingent Liability

The Group had no material contingent liabilities as at 31 December 2019 (2018: Nil)

Employee and Remuneration Policies

As at 31 December 2019, the Group employed 123 staff (31 December 2018: 153 staff). Total employee costs for the Reporting Period including directors' emoluments, amounted to approximately HK$33.5 million (FY2018: approximately HK$53.8 million).

The salary and benefit levels of the employees of the Group are competitive. This is very important as the construction industry has been experiencing labour shortage in general. Individual performance of our employees is rewarded through the Group's salary and bonus system. In addition, the Group provides adequate job training to employees in order to equip them with practical knowledge and skills to tackle situations and challenges encountered in diverse work sites.

Final Dividend

The Board does not recommend payment of final dividend to Shareholders for the Reporting Period (FY2018: Nil).

Business Review and Prospect

In year 2019, Hong Kong economy has been reeling from the United States-China trade war and political unrest arising from anti-government protest in Hong Kong, coupled with the outbreak of new coronavirus pneumonia epidemic. Hong Kong has been pushed into recession with the economy battered by these social and political events. The global economic volatility has also exerted further pressure on Hong Kong economy. The Group expects that the slowing economy will continue in the coming years. The construction industry in Hong Kong has also no sign to recover from slump as it faced difficulties over the deployment of government fund being stalled for many infrastructure projects by filibustering in the legislature. The Group's construction contract from public sector project dropped sharply during the year as compared to last year. The Group braces for weathering the shrinkage of the construction business in Hong Kong. The Group is confident in getting through the headwinds.

The Group strives to drive its growth of construction business by tapping into emerging markets, particularly in China. The Group built its own construction project teams specializing in prefabrication precast construction which mainly serves the construction projects in China. The Group is eyeing the potential growth of the construction industry arising from the Belt and Road Initiative driving the infrastructure development in Asia and Africa. The Group was working in close cooperation with a high-tech construction company which possess the enriched experience on the overseas market and lend its support to explore and expand the new market of construction business.

In these years, the Group also dedicated to develop the businesses relating to the agriculture, supply chain and new energy. The Group understands that it will be on rocky road to the start-ups of these businesses. However, the Group digs its heels in these business development directions that will lead the Group in success. The Group is now negotiating with certain potential cooperation partners to explore the potential business opportunities in some areas of that includes (1) development of industrial park, supply chain and property management services; (2) new model of retailing, industrial innovation development, blockchain technology, healthcare and new energy and (3) biotechnology, modern agriculture and cultural tourism.

The Group will closely monitor the market development and the change in the surrounding of the Group's operations. We will continue to adhere to our core philosophy of "Building a Green World" and the ideology of "green building and green life" with quality, innovation and effectiveness and achieve our expansion of the Group's business with a view to optimizing stakeholders' interests and maximizing their value.

INTERESTS IN COMPETING BUSINESS

Having made specific enquiry of all Directors, all of them have confirmed that neither themselves nor their respective close associates (as defined in the GEM Listing Rules) had held any position or had 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, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE CODE

Throughout the Reporting Period, the Company has complied with the applicable code provisions of the Code except for the deviations from code provision A.2.1 of the Code which was explained below.

A.2.1 Separation of the roles of chairman and chief executive

The Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Zhu Zhou who served as chairman of the Board and chief executive officer of the Company resigned on 28 June 2019. The Board considers that such deviation is deemed appropriate as it is considered to be more efficient to have a single person to be the chairman of the Company as well as to discharge the function of chief executive officer with the support of the management. In certain core businesses, Mr. Zhu also delegates its power and authority to certain other executive Directors and management who have extensive experience in these specific industries. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high caliber individuals.

Mr. Liu Yingjie re-designated as chairman of the Board on 28 June 2019 and Mr. Lai Xiaoliang was appointed as chief executive officer of the Group on 19 July 2019. After these changes, the Company has complied with code provision A.2.1 of the Code.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

SHARE OPTION SCHEME

The share option scheme of the Company (the "**Scheme**") was adopted on 2 August 2014 (the "**Date of Adoption**"). The Scheme will remain in force for a period of ten years commencing on the Date of Adoption and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders of the Company in general meeting.

The purpose of the Scheme is to attract and retain the best available personnel, to provide addional incentive to employees (full-time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents customers, business partners and services providers of the Group and to promote the success of the business of the Group.

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), Director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or services provider of the Group, options to subscribe for such number of shares of the Company as it may determine in accordance with the terms of the Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

As at 31 December 2019, the number of outstanding share options under the Scheme is 16,306,050 options, representing 1.61% of the total issued Shares. The details of movements in shares options under Scheme during the Reporting Period are set out below:

	Number of share options
Outstanding shares option as at 1 January 2019	16,306,050
Granted during the year	–
Exercised during the year	–
Cancelled during the year	–
Lapsed during the year	–
Outstanding shares option as at 31 December 2019	16,306,050

The maximum number of entitlement to Shares of each grantee under the Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of the issued Shares. Any further grant of options in excess of this 1% limit shall be subject to the approval of the Shareholders in accordance with the GEM Listing Rules.

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK$1.

The subscription price of a share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information that is publicly available to the Company, at least 25% of the Company's issued share capital were held by the public as at the date of this announcement.

AUDITOR

ZHONGHUI ANDA CPA Limited ("**ZHONGHUI ANDA**") was the auditor of the Company, which shall retire in the forthcoming AGM and, being eligible, offer itself for reappointment. A resolution for the re-appointment of ZHONGHUI ANDA as auditors of the Company will be proposed at the forthcoming AGM.

AUDIT COMMITTEE

The Company has established the Audit Committee on 2 August 2014 with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and provisions C.3.3 and C.3.7 of the Code. The majority of the Audit Committee members must be independent non-executive Directors and must be chaired by an independent non-executive Directors. If any member of the Audit Committee ceases to be a Director, he/she will cease to be a member of the Audit Committee automatically.

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

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

Hong Kong, 27 March 2020

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

*This announcement, for which the Directors 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 of Hong Kong Limited (the "**Stock Exchange**") 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 Stock Exchange's website at www.hkexnews.hk for 7 days from the date of its posting. This announcement will also be posted on the Company's website at www.gf-holdings.com.