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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 2021**

#### **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.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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.*

## FINANCIAL HIGHLIGHTS

For the year ended 31 December 2021, the operating results of the Group were as follows:

- Revenue amounted to approximately HK\$99.0 million (2020: approximately HK\$80.9 million), representing an increase of approximately 22.4% from last year;
- Net loss for the year ended 31 December 2021 amounted to approximately HK\$37.2 million (2020: net loss of approximately HK\$16.2 million);
- Basic and diluted loss per share for the year ended 31 December 2021 based on weighted average number of ordinary shares was approximately HK3.65 cents (2020: Basic and diluted loss per share of approximately HK1.51 cents);
- The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

## ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 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 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	<b>2020</b> <i>HK\$'000</i>
<b>Revenue</b>	3	<b>98,970</b>	80,876
Cost of sales		<b>(74,324)</b>	(57,531)
<b>Gross profit</b>		<b>24,646</b>	23,345
Interest revenue		<b>5</b>	10
Other income and other gains or losses, net		<b>1,906</b>	5,363
Impairment losses on various assets		<b>(21,881)</b>	(674)
Administrative and other operating expenses		<b>(36,275)</b>	(38,890)
<b>Operating loss</b>		<b>(31,599)</b>	(10,846)
Finance costs	5	<b>(5,847)</b>	(5,156)
<b>Loss before income tax</b>		<b>(37,446)</b>	(16,002)
Income tax credit/(expenses)	6	<b>262</b>	(185)
<b>Loss for the year</b>	7	<b>(37,184)</b>	(16,187)
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<b>481</b>	1,170
Foreign currency translation reserve classified to profit or loss upon disposal/deregistration of subsidiaries		<b>250</b>	(1)
<b>Total other comprehensive income for the year</b>		<b>731</b>	1,169
<b>Total comprehensive loss for the year</b>		<b>(36,453)</b>	(15,018)

	<i>Notes</i>	<b>2021</b> <b><i>HK\$'000</i></b>	2020 <i>HK\$'000</i>
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(36,846)</b>	(15,250)
Non-controlling interests		<b>(338)</b>	(937)
		<u><b>(37,184)</b></u>	<u>(16,187)</u>
<b>Total comprehensive loss for the year attributable to:</b>			
Owners of the Company		<b>(36,040)</b>	(13,927)
Non-controlling interests		<b>(413)</b>	(1,091)
		<u><b>(36,453)</b></u>	<u>(15,018)</u>
<b>Loss per share</b>			
	9		
Basic (HK cents per share)		<b>(3.65)</b>	(1.51)
Diluted (HK cents per share)		<u><b>(3.65)</b></u>	<u>(1.51)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>14,311</b>	18,211
Right-of-use assets		<b>10,717</b>	11,290
Goodwill		<b>938</b>	938
		<hr/>	<hr/>
		<b>25,966</b>	30,439
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		<b>3,140</b>	4,547
Trade and other receivables	<i>10</i>	<b>50,546</b>	71,809
Bank and cash balances	<i>11</i>	<b>37,127</b>	37,250
		<hr/>	<hr/>
		<b>90,813</b>	113,606
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>36,524</b>	26,956
Borrowings		<b>45,800</b>	64,250
Lease liabilities		<b>3,425</b>	3,027
Tax liabilities		<b>471</b>	268
		<hr/>	<hr/>
		<b>86,220</b>	94,501
		<hr/>	<hr/>
<b>Net current assets</b>		<b>4,593</b>	19,105
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>30,559</b>	49,544
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Borrowings		<b>18,450</b>	—
Lease liabilities		<b>8,341</b>	9,039
Deferred tax liabilities		<b>369</b>	653
		<hr/>	<hr/>
		<b>27,160</b>	9,692
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>3,399</b>	39,852
		<hr/> <hr/>	<hr/> <hr/>

	<i>Notes</i>	<b>2021</b> <b><i>HK\$'000</i></b>	2020 <i>HK\$'000</i>
<b>Capital and reserves</b>			
Share capital	<i>13</i>	<b>10,106</b>	10,106
Reserves		<b>(912)</b>	35,128
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>9,194</b>	45,234
Non-controlling interests		<b>(5,795)</b>	(5,382)
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>3,399</b>	39,852
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021*

### 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 Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company’s principal place of business in Hong Kong is Suite 821, 8th Floor, Ocean Centre, Harbour City, 5 Canton Road, 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 provision of concrete demolition services and manufacturing and trading of prefabricated construction components.

### 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 2021. 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.

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. REVENUE

The Group's revenue is analysed as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Provision of concrete demolition and construction engineering services	56,141	57,947
Manufacturing and trading of prefabricated precast construction	42,829	22,929
	<u>98,970</u>	<u>80,876</u>

Disaggregation of revenue from contracts with customers:

	2021 <b>Construction</b> <i>HK\$'000</i>	2020 Construction <i>HK\$'000</i>
<b>Timing of revenue recognition</b>		
At a point in time	42,829	22,929
Over time	56,141	57,947
	<u>98,970</u>	<u>80,876</u>

#### **Construction service fee income**

The Group provides construction service to the customers. When the progress towards complete satisfaction of the performance obligations of a construction contract can be measured reasonably, revenue from the contract and the contract costs are recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract. This method provides the most reliable estimate of the percentage of completion.

When the progress towards complete satisfaction of the performance obligations of a construction contract cannot be measured reasonably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

The customers pay the contract prices to the Group according to the payment schedules as stipulated in the contracts. If the service rendered by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

The contract price is allocated to the performance obligations based on the relative stand-alone selling prices of the performance obligations. The stand-alone selling prices are determined by applying the expected cost plus a margin approach.

## **Trading**

The Group sells clean coal to the customers through its trading business. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 45 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

## **4. SEGMENT INFORMATION**

The Group has one (2020: three) reportable segments as follows:

Construction	Provision of concrete demolition and construction engineering services, prestressed high strength concrete piles; construction works, and manufacturing and trading of prefabricated precast construction
Agricultural equipment (ceased in 2020)	Trading of Ecological LED Cultivation Cabinet System
Trading business (ceased in 2020)	Trading of LED light sources for decoration and clean coal

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 expenses and other unallocated corporate income and expenses. Segment assets do not include bank and cash balances and other unallocated corporate assets. Segment liabilities do not include other loan, tax liabilities, deferred tax liabilities and other unallocated corporate liabilities.

The segment of agricultural equipment and trading business were ceased from operation during the year ended 31 December 2020.

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

	<b>Construction</b> <i>HK\$'000</i>
<b>Year ended 31 December 2021:</b>	
Revenue from external customers	98,970
Segment loss	<b>(24,904)</b>
Depreciation of property, plant and equipment	4,537
Depreciation of right-of-use assets	3,251
Impairment loss on trade receivables, net	49
Impairment loss on other receivables, net	21,317
Additions to segment non-current assets	4,131
<b>At 31 December 2021:</b>	
Segment assets	73,659
Segment liabilities	<b>36,449</b>

	<b>Construction</b> <i>HK\$'000</i>	<b>Agricultural equipment</b> <i>HK\$'000</i>	<b>Trading business</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Year ended 31 December 2020:</b>				
Revenue from external customers	80,876	–	–	80,876
Segment profit/(loss)	3,233	(9)	(2,262)	962
Depreciation of property, plant and equipment	3,666	–	1,801	5,467
Depreciation of right-of-use assets	2,193	–	–	2,193
Impairment loss on trade receivables, net	355	–	–	355
Additions to segment non-current assets	12,283	–	–	12,283
<b>At 31 December 2020:</b>				
Segment assets	99,500	89	3,933	103,522
Segment liabilities	29,223	–	2,225	31,448

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Profit or loss:</b>		
Total profit or loss of reportable segments	(24,904)	962
Corporate and unallocated loss	(12,542)	(16,964)
	<u>                    </u>	<u>                    </u>
Consolidated loss before tax	<u><u>(37,446)</u></u>	<u><u>(16,002)</u></u>
<b>Assets:</b>		
Total assets of reportable segments	73,659	103,522
Bank and cash balances	37,127	37,250
Corporate and unallocated assets	5,993	3,273
	<u>                    </u>	<u>                    </u>
Consolidated total assets	<u><u>116,779</u></u>	<u><u>144,045</u></u>
<b>Liabilities:</b>		
Total liabilities of reportable segments	36,449	31,448
Borrowings	64,250	64,250
Deferred tax liabilities	369	653
Corporate and unallocated liabilities	12,312	7,842
	<u>                    </u>	<u>                    </u>
Consolidated total liabilities	<u><u>113,380</u></u>	<u><u>104,193</u></u>
Geographical information:		
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue:</b>		
Hong Kong	56,141	57,947
The People's Republic of China (the "PRC")	42,829	22,929
	<u>                    </u>	<u>                    </u>
	<u><u>98,970</u></u>	<u><u>80,876</u></u>

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets:</b>		
Hong Kong	11,459	12,899
The PRC	14,507	17,540
	<u>25,966</u>	<u>30,439</u>

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A# – Construction business segment	<u>12,022</u>	<u>4,008</u>

# Customer A did not contribute over 10% of the Group's revenue for the year ended 31 December 2020, the figure shown was for comparative disclosure purpose only.

## 5. FINANCE COSTS

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on lease liabilities	606	622
Interest on other loan	2,700	2,700
Interest on loan from a director	1,845	1,236
Interest on bond payables	696	598
	<u>5,847</u>	<u>5,156</u>

## 6. INCOME TAX (CREDIT)/EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Over-provision in prior years	–	(35)
Current tax – The PRC		
Provision for the year	22	–
Deferred tax	(284)	220
	<u>          </u>	<u>          </u>
Income tax (credit)/expenses	<u>(262)</u>	<u>185</u>

Hong Kong Profits Tax is provided at 16.5% (2020: 16.5%) based on the assessable profit for the year. No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2021 and 2020 as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2021 and 2020.

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.

## 7. LOSS FOR THE YEAR

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories sold/services provided	74,324	57,531
Depreciation of property, plant and equipment	5,064	6,815
Depreciation of right-of-use assets	3,975	5,594
Reversal of impairment loss on trade and other receivables	(515)	(319)
Gain on disposal of subsidiaries	–	(351)
Loss on deregistration of subsidiaries	250	32
(Gain)/loss on disposals of property, plant and equipment	(8)	6
Impairment losses on various assets		
Trade receivables	564	674
Prepayments and trade deposits	21,317	–
	21,881	674
Staff costs (including directors' remuneration)		
Salaries, bonus and allowances	40,041	36,012
Retirement benefits scheme contributions	1,117	945
	41,158	36,957
Expenses related to short-term lease	241	232
Auditor's remuneration	728	728
	74,324	57,531

## 8. DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

## 9. 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\$36,846,000 (2020: approximately HK\$15,250,000) and the weighted average number of ordinary shares of 1,010,605,000 (2020: 1,010,605,000) in issue during the year.

### Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2021 and 2020.

## 10. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	46,088	37,953
Less: allowance for impairment of trade receivables	<u>(2,002)</u>	<u>(1,928)</u>
Trade receivables, net	<u>44,086</u>	<u>36,025</u>
Retention receivables	1,887	1,886
Less: allowance for impairment of retention receivables	<u>(28)</u>	<u>(28)</u>
Retention receivables, net	<u>1,859</u>	<u>1,858</u>
Prepayments and trade deposits	27,919	35,581
Less: allowance for impairment of prepayments and trade deposits	<u>(26,215)</u>	<u>(4,767)</u>
Prepayments and trade deposits, net ( <i>note</i> )	<u>1,704</u>	<u>30,814</u>
Other deposits and receivables, net	<u>2,897</u>	<u>3,112</u>
	<u><b>50,546</b></u>	<u><b>71,809</b></u>

*Note:* Included in the gross amount of prepayments and trade deposits of approximately HK\$21,317,000 (equivalent to RMB19,100,000) as at 31 December 2021 was the prepayments to supplier for construction business. In March 2021, the Company and the supplier have entered into supplemental agreement dated 16 March 2021 (“**Supplemental Agreement**”), in which (i) RMB7,000,000 to be refunded from supplier to the Group by March 2021; (ii) if the Company cannot reach further cooperation project agreements before 31 August 2021, the amount of RMB7,000,000 would be refunded to the Company; and (iii) if the Company cannot reach further cooperation project agreements before 31 December 2021, the amount of RMB12,100,000 would be refunded to the Company.

The first partial refund of RMB7,000,000 has been received by the Group in March 2021 in accordance with the term under the Supplement Agreement. The management is still in progress on negotiating the refund of the remaining RMB19,100,000 up to the date of this announcement. Due to the breach of Supplemental Agreement and recent unfavourable negotiation result with the supplier, impairment loss of approximately HK\$21,317,000 have been recognised for the year ended 31 December 2021.

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:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0-30 days	<b>8,120</b>	11,456
31-60 days	<b>6,199</b>	4,649
61-90 days	<b>6,137</b>	3,311
91-365 days	<b>18,451</b>	8,578
Over 365 days	<b>5,179</b>	8,031
	<hr/>	<hr/>
	<b>44,086</b>	36,025
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of loss allowance for trade receivables:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
At the beginning of the year	<b>1,928</b>	51,777
Increase in loss allowance for the year	<b>564</b>	674
Reversal of loss allowance for the year	<b>(515)</b>	(319)
Receivables written off during the year as uncollectable	–	(50,563)
Exchange differences	<b>25</b>	359
	<hr/>	<hr/>
At the end of the year	<b>2,002</b>	1,928
	<hr/> <hr/>	<hr/> <hr/>

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
<b>At 31 December 2021</b>						
Weighted average expected						
loss rate	3%	3%	3%	3%	13%	
Receivable amount ( <i>HK\$'000</i> )	8,331	6,088	6,670	19,023	5,976	46,088
Loss allowance ( <i>HK\$'000</i> )	250	183	200	571	798	2,002
<b>At 31 December 2020</b>						
Weighted average expected						
loss rate	3%	3%	3%	3%	12%	
Receivable amount ( <i>HK\$'000</i> )	14,620	4,515	1,574	8,682	8,562	37,953
Loss allowance ( <i>HK\$'000</i> )	439	135	47	298	1,009	1,928

## 11. BANK AND CASH BALANCES

As at 31 December 2021, the bank and cash balances of the Group denominated in Renminbi (“RMB”) amounted to approximately HK\$381,000 (2020: approximately HK\$2,328,000). 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 (2020: 0.001% to 0.35%).

## 12. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	12,654	10,421
Accruals	4,559	3,942
Other payables	19,311	12,593
	<u>36,524</u>	<u>26,956</u>

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0-30 days	3,502	4,090
31-60 days	2,255	2,415
61-90 days	3,013	969
Over 90 days	3,884	2,947
	<u>12,654</u>	<u>10,421</u>

### 13. SHARE CAPITAL

	<b>Number of ordinary shares</b>	<b>Ordinary shares <i>HK\$'000</i></b>
<b>Authorised:</b>		
<i>Ordinary shares of HK\$0.01 each:</i>		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	2,000,000,000	20,000
	<u>2,000,000,000</u>	<u>20,000</u>
	<b>Number of ordinary shares</b>	<b>Ordinary shares <i>HK\$'000</i></b>
<b>Issued and fully paid:</b>		
<i>Ordinary shares of HK\$0.01 each:</i>		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	1,010,605,000	10,106
	<u>1,010,605,000</u>	<u>10,106</u>

## EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent auditor’s report on the Group’s consolidated financial statements for the year ended 31 December 2021.

### Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Qualified Opinion

#### *Prepayment*

As at 31 December 2021, the consolidated statement of financial position included a fully impaired prepayment balance, of which was made previously to a supplier in the construction business. For the year ended 31 December 2021, an impairment loss of approximately HK\$21,317,000 was recognised.

The Group and the supplier have entered into a supplemental agreement (“**Supplemental Agreement**”) on 16 March 2021, which stated that (i) The supplier would partially refund RMB7.0 million to the Group by March 2021; (ii) Should the Group be unable to enter into any new business with the supplier before 31 August 2021, the supplier would partially refund another RMB7.0 million to the Group; and (iii) Should the Group be unable to enter into any new business with the supplier before 31 December 2021, the rest amount of RMB12.1 million would be refunded to the Group.

The first partial refund of RMB7.0 million was received by the Group in March 2021 in accordance with the terms as stated in the Supplemental Agreement. Yet, the second partial refund and the final refund totaling RMB19.1 million (equivalent to approximately HK\$21,317,000) were both defaulted. Up to the date of this announcement, the management is still negotiating with and considering taking any legal action to the supplier on the refunds in arrears. Due to the breach of Supplemental Agreement and recent unfavourable negotiation result with the supplier, the management considered that the impairment loss of approximately HK\$21,317,000 should be recognised for the year ended 31 December 2021.

Due to the above uncertainties, the management is not able to provide further evidences in justifying the sufficiency, adequacy and extent of the impairment loss being recognised. Accordingly, we are not able to obtain sufficient appropriate audit evidences to ascertain the recoverability of the aforesaid balance as at 31 December 2021. More importantly, there is no other satisfactory audit procedures that we could perform to satisfy ourselves whether the aforesaid balance were fairly stated as at 31 December 2021. Consequently, we are not able to obtain sufficient appropriate audit evidences on the impairment losses recognised for the year ended 31 December 2021.

Any adjustments to the figure as described above might have a consequential effect on the Group's financial performance and cash flows for the year ended 31 December 2021 and the financial position of the Group as at 31 December 2021, and the related disclosures thereof in the consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

### BUSINESS REVIEW

The principal activity of the Company is investment holding. For the year ended 31 December 2021 (the “**Reporting Period**”), the Group mainly engages in provision of concrete demolition services and manufacturing and trading of prefabricated construction components.

#### Concrete Demolition 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.

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
<b>Revenue from</b>		
— private sector project	46,256	49,442
— public sector project	9,885	8,505
	<u>56,141</u>	<u>57,947</u>

## Prefabricated Construction

Prefabricated 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 Construction also reduces construction waste and debris on construction site as the precast concrete components are factory-made and employed by exact-batching technologies.

Prefabricated Constructions are becoming more popular in many developing countries, due to compressed project timelines, more affordable pricing, greener construction technology and the ability to service remote locations. Growth in urbanization and industrialization drive the demand in affordable urban housing that was built in a shorter construction time. The Group established its own production facilities and construction project team in Huizhou, the PRC for production, research and development of precast concrete components and glass fiber reinforced cement components, product installation guidance and sales which mainly serviced the construction projects in Greater Bay area of China. The Group was also looking at this opportunity to develop the overseas market, particularly the countries along the Belt and Road for prefabricated construction business. The Group has currently paired up with a reputable construction company as a long term cooperative partner in an attempt to penetrate the oversea market.

## FINANCIAL REVIEW

### Revenue

Revenue increased by approximately HK\$18.1 million or 22.4% from approximately HK\$80.9 million for the year ended 31 December 2020 (“FY2020”) to approximately HK\$99.0 million for the Reporting Period.

The analysis of revenue was shown as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue from</b>		
— Concrete demolition services	56,141	57,947
— Prefabricated construction	42,829	22,929
	<u>98,970</u>	<u>80,876</u>

### ***Concrete demolition services***

For the Reporting Period, revenue attributable to concrete demolition services was approximately HK\$56.1 million, representing a decrease of approximately HK\$1.8 million or 3.1% as compared with approximately HK\$57.9 million for FY2020. The decrease was primarily due to the delays and disruption to the regular progress of the works on construction projects in Hong Kong, affected by Covid-19 pandemic.

### ***Prefabricated construction***

For the Reporting Period, revenue attributable to prefabricated construction was approximately HK\$42.8 million, representing an increase of approximately HK\$19.9 million or 86.9% as compared with approximately HK\$22.9 million for FY2020. The increase was in large part due to the low comparison base resulting from imposing a lockdown measures to control the spread of Covid-19 in China during the first quarter in last year and certain traveling restriction measures that led to the general disruption of production, supply chain and logistics.

### **Gross Profit and Gross Profit Margin**

Gross profit increased by approximately HK\$1.3 million or 5.6% from approximately HK\$23.3 million for FY2020 to approximately HK\$24.6 million for the Reporting Period.

Gross profit margin decreased from 28.9% for FY2020 to 24.9% for the Reporting Period. The decrease was primarily due to a decrease by 3.7 percentage points in gross profit margin attributable to concrete demolition services from 29.8% for FY2020 to 26.1% for the Reporting Period.

### **Impairment Loss on Various Assets**

Impairment loss on various assets increased by HK\$21.2 million from approximately HK\$0.7 million for FY2020 to approximately HK\$21.9 million for the Reporting Period. Such increase was primarily due to an impairment loss of HK\$21.3 million on other receivables provided for the Reporting Period.

The provision for impairment was made primarily due to concerns over the recoverability of a payment of HK\$29.5 million made in connection with prefabricated construction projects led by a supplier who was one of the Group's cooperative partners in the prefabricated construction business. During the Reporting Period, while the Group was able to recover HK\$8.2 million from the cooperative partner, the Group made assessment on the market conditions of the markets in which the cooperative partner operates including the PRC, certain belt and road countries and Australia, and noted that, due to the downturn in these markets caused by the Covid-19 pandemic and other unforeseen natural disasters and events, the recoverability of the remaining HK\$21.3 million was low.

### **Administrative and Other Operating Expenses**

Administrative and other operating expenses decreased by approximately HK\$2.6 million from approximately HK\$38.9 million for FY2020 to approximately HK\$36.3 million for the Reporting Period. Such decrease was primarily due to a combined effect of (i) a decrease of approximately HK\$3.4 million in depreciation on property, plant and equipment and amortization to right-of-use assets; (ii) an increase of approximately HK\$1.7 million in transportation cost and (iii) a decrease of approximately HK\$0.7 million in consultancy fee.

### **Loss Attributable to Owners of the Company**

After a result of the foregoing, the Group's loss attributable to owners of the Company was approximately HK\$36.8 million for the Reporting Period, representing an increase of approximately HK\$21.5 million as compared to a loss of HK\$15.3 million attributable to owners of the Company for FY2020.

### **Liquidity, Financial Resources and Capital Structure**

As at 31 December 2021, the Group had cash and bank deposits of approximately HK\$37.1 million (2020: approximately HK\$37.3 million).

The gearing ratio of the Group as at 31 December 2021 (defined as total borrowings including interest bearing and non-interest bearing, divided by the Group's total equity) was approximately 18.9 (2020: approximately 1.61).

## **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.

## **Significant Investment Held**

As at 31 December 2021 and 2020, there were no material investment held by the Group.

## **Debts and Charge on Assets**

As at 31 December 2021, the total borrowings of the Group, including unsecured fixed bonds and other loan, amounted to approximately HK\$64.3 million (2020: approximately HK\$64.3 million). The annual interest rates of the borrowings during the Reporting Period ranged from 6.75% to 12.0% per annum (2020: 6.75% to 12.0% per annum). All of the borrowings are unsecured and denominated in Hong Kong dollars. The borrowings of HK\$45.8 million were repayable within one year which was accounted for as current liabilities of the Group and the borrowings of HK\$18.5 million were repayable over one year which was accounted for as non-current liabilities.

## **Capital Commitments**

The Group does not have material capital commitments as at 31 December 2021 (2020: Nil).

## **Future plans for material investment or capital assets**

Save as disclosed in the annual report, the Group does not have any other specific plan for material investments or capital assets as at 31 December 2021.

## **Contingent Liability**

The Group had no material contingent liabilities as at 31 December 2021 (2020: Nil)

## **Employee and Remuneration Policies**

As at 31 December 2021, the Group employed 124 staff (2020: 116 staff). Total employee costs for the Reporting Period including directors' emoluments, amounted to approximately HK\$41.2 million (2020: approximately HK\$37.0 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 (2020: Nil).

## **BUSINESS REVIEW AND PROSPECT**

Given that the Covid-19 epidemic in various countries over the world is still fluctuating, Hong Kong had succeeded in keep Covid-19 virus under control for much of 2021. It showed the Hong Kong economy was on the path to recovery. Entering the third year of Covid-19 pandemic, the Company has come to terms with the disruption of the supply chain and manpower resources. The Group's concrete demolition services business in Hong Kong was relatively stable, in line with the Company's expectation when considering the lingering impact of the pandemic. However, after a few months when Hong Kong's pandemic situation seemed like relatively stable, a spike in infections driven by a combination of the Omicron and Delta variants of Covid-19 has led to reinstate the draconian quarantine and social-distancing measures. The Company anticipates it will face a lot of challenge from the threats and uncertainty of the outbreak of the Omicron variant or more mutations in forthcoming years.

The Group's prefabricated construction business in China continued to make a stride to grow on the back of increasing urbanization and growing focus on developing green buildings in China. Revenue attributable to the Group's prefabricated construction grew by 86.9% for FY2021. However, such increase was in large part due to the very low comparison base resulting from adopting lockdown measures to control the spread of Covid-19 in China in the year 2020. China is facing downward pressures on the economy and the complexity and uncertainty of the external environment. Property developers in China have obviously shown less motivation in land purchases in the wake of the debt crisis at a few large property developers. China has initiated a deleverage campaign to avoid excessive domestic credit expansion for the property developers. The expectation of a downward trend in property market seems to be formed. The Company has to maintain a high alert on any unpredictable development and event that could adversely affect the Group's business.

The Group devotes to promote the green building. Prefabricated construction is not only green but also be more efficient and even higher quality. The Company has plans to develop and tap the prefabricated construction business into overseas market, particularly for the countries along the Belt and Road and the Group has paired up with a reputable construction company as a long term cooperative partner. The cooperative partner has an extensive experience and business connection to those targeted overseas market. The Group believes that the market diversification may usher in a strong growth potential of the Group. Unfortunately, most of these countries are still in the grip of Covid-19 pandemic. The vaccination rate of some Africa countries remains low due to the inequity in supply of vaccines. This has been the third year of the Covid-19 pandemic with no end in sight. Prolonged pandemic has fueled concerns of making investment in these countries. In addition, the Company also felt more difficult to source the fund for the project than previous years due to the liquidity tight for many corporations. The Company intends to postpone the expansion plan at this moment and keep the close watch on the development of the situation.

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 provisions A.1.8 and E.1.2 of the Code which is explained below.

### **A.1.8 Appropriate insurance cover in respect of legal action against the Directors**

The Code provision A.1.8 stipulates that the Company should arrange appropriate insurance cover in respect of legal action against the Directors. The Company does not have insurance cover in this respect because the Board believes that the Director’s risk of being sued or getting involved in litigation in their capacity as Directors is relatively low. The Board will review the need for taking out this sort of insurance from time to time.

### **E.1.2 Attendance of Chairman in Annual General Meeting**

The Code provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting. The chairman of the Company, Mr. Liu Yingjie, was unable to attend the annual general meeting held on 8 June 2022 due to the travel restriction in Covid-19 pandemic. The Board elected an executive Director, Ms. Zhou Jin, to chair the annual general meeting.

## **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.

## **PERMITTED INDEMNITY PROVISION**

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Reporting Period. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors.

## **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.

## **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 2021 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021. The work performed by ZHONGHUI ANDA in this respect did not constitute 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 on the preliminary announcement.

## **AUDITOR**

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.

By order of the Board  
**Glory Flame Holdings Limited**  
**Liu Ying Jie**  
*Chairman*

Hong Kong, 24 March 2022

*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](http://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](http://www.gf-holdings.com).*