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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)**

### **FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2022**

#### **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.**

**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 HIGHLIGHT

For the three months ended 31 March 2022, the operating results of the Group were as follows:

- Revenue amounted to approximately HK\$16.4 million (2021: approximately HK\$19.9 million), representing a decrease of approximately 17.6% from the corresponding period of last year;
- Net loss amounted to approximately HK\$5.4 million, representing a decrease of HK\$0.1 million as compared to a net loss of approximately HK\$5.5 million for the corresponding period of last year;
- Basic and diluted loss per share based on weighted average number of ordinary shares was approximately HK0.49 cents (2021: Basic and diluted loss per share of approximately HK0.56 cents);
- The Board does not recommend the payment of a dividend to owners of the Company for the three months ended 31 March 2022 (2021: Nil).

## FIRST QUARTERLY RESULTS

The board (the “**Board**”) of Directors is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 31 March 2022 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2021, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the three months ended 31 March 2022*

	<i>Notes</i>	<b>Three months ended 31 March</b>	
		<b>2022</b>	<b>2021</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	4	<b>16,425</b>	19,905
Cost of sales		<b>(12,552)</b>	(15,389)
		<hr/>	<hr/>
Gross profit		<b>3,873</b>	4,516
Other income and net gains	5	<b>842</b>	363
Administrative and other operating expenses		<b>(8,579)</b>	(8,930)
		<hr/>	<hr/>
Operating loss	6	<b>(3,864)</b>	(4,051)
Finance costs		<b>(1,542)</b>	(1,451)
		<hr/>	<hr/>
Loss before income tax		<b>(5,406)</b>	(5,502)
Income tax expense	7	—	(23)
		<hr/>	<hr/>
Loss for the period		<b>(5,406)</b>	(5,525)
		<hr/> <hr/>	<hr/> <hr/>
Other comprehensive profit/(loss):			
Item that may be reclassified to profit or loss		<b>140</b>	(138)
		<hr/>	<hr/>
Total comprehensive loss for the period		<b>(5,266)</b>	(5,663)
		<hr/> <hr/>	<hr/> <hr/>

		<b>Three months ended 31 March</b>	
		<b>2022</b>	<b>2021</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss for the period attributable to:			
Owners of the Company		<b>(4,963)</b>	(5,698)
Non-controlling interests		<b>(443)</b>	173
		<u><b>(5,406)</b></u>	<u>(5,525)</u>
Total comprehensive loss for the period attributable to:			
Owners of the Company		<b>(4,326)</b>	(5,692)
Non-controlling interests		<b>(940)</b>	29
		<u><b>(5,266)</b></u>	<u>(5,663)</u>
		<b>HK cents</b>	<b>HK cents</b>
Basic and diluted loss per share	9	<u><b>(0.49)</b></u>	<u>(0.56)</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

*For the three months ended 31 March 2022*

	Attributable to owners of the Company									
	Combined/ Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Share- based payment <i>HK\$'000</i>	Foreign currency translation reserves <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>	Non- controlling interest <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at										
1 January 2022	10,106	268,953	15,800	2,480	(1,785)	(1,672)	(284,688)	9,194	(5,795)	3,399
Total comprehensive income/(loss) for the period	—	—	—	—	637	—	(4,963)	(4,326)	(940)	(5,266)
Balance at										
31 March 2022 (unaudited)	<u>10,106</u>	<u>268,953</u>	<u>15,800</u>	<u>2,480</u>	<u>(1,148)</u>	<u>(1,672)</u>	<u>(289,651)</u>	<u>4,868</u>	<u>(6,735)</u>	<u>(1,867)</u>
Balance at										
1 January 2021	10,106	268,953	15,800	2,480	(2,591)	(1,672)	(247,842)	45,234	(5,382)	39,852
Total comprehensive income/(loss) for the period	—	—	—	—	6	—	(5,698)	(5,692)	29	(5,663)
Balance at										
31 March 2021 (unaudited)	<u>10,106</u>	<u>268,953</u>	<u>15,800</u>	<u>2,480</u>	<u>(2,585)</u>	<u>(1,672)</u>	<u>(253,540)</u>	<u>39,542</u>	<u>(5,353)</u>	<u>34,189</u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the three months ended 31 March 2022*

## 1. GENERAL INFORMATION

Glory Flame Holdings Limited was incorporated in the Cayman Islands on 25 April 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on GEM of The Stock Exchange of Hong Kong Limited with effect from 15 August 2014.

The address of the Company's registered office is Windward 3, Regatta Office Park, P.O. Box 1350, 75 Fort Street, 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, Tsim Sha Tsui, Kowloon, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (collectively referred as to the "**Group**") are engaged in provision of concrete demolition services and manufacturing and trading of prefabricated construction components.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months ended 31 March 2022 have been prepared by the Directors in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the GEM Listing Rules. HKFRSs include Hong Kong Accounting Standards and interpretations. Intra-group balances and transactions, if any, have been fully and properly eliminated. The accounting policies and basis of preparation adopted in the preparation of the financial statements for the three months ended 31 March 2022 are consistent with those adopted in the annual financial statements of the Company for the year ended 31 December 2021.

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. The adoption of the new and revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group. The Group has not applied any new and amended standard or interpretation that is not yet effective for the current accounting period.

The financial statements for the three months ended 31 March 2022 have not been audited by the Company's independent auditors, but have been reviewed by the Company's audit committee.

The financial statements for the three months ended 31 March 2022 are presented in Hong Kong dollars ("**HK\$**"), which is the same functional currency of the Company.

### 3. ESTIMATES

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

In preparing this condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

### 4. REVENUE

Revenue recognised during the Reporting Period is as follows:

	Three months ended	
	31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Provision of concrete demolition services	14,426	10,791
Manufacturing and trading of prefabricated construction components	1,999	9,114
	<u>16,425</u>	<u>19,905</u>

### 5. OTHER INCOME AND NET GAINS

	Three months ended	
	31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest income	—	2
Others, net	842	361
	<u>842</u>	<u>363</u>

## 6. OPERATING LOSS

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

	Three months ended	
	31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Staff cost, including directors' remuneration	8,285	8,406
Depreciation of property, plant and equipment	1,071	1,097
Depreciation of right-of-use assets	1,129	897
Impairment loss on trade receivables	83	202
Reversal of impairment loss on trade receivables	(12)	(158)
	<u>8,285</u>	<u>11,244</u>

## 7. INCOME TAX EXPENSE

	Three months ended	
	31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Hong Kong profits tax	—	—
PRC Enterprise income tax	—	23
	<u>—</u>	<u>23</u>

No provision for Hong Kong Profit Tax has been made as the Group does not generate any assessable profit for the Reporting Period (2021: Nil).

Provision for taxation for subsidiaries that are subject to Enterprise Income tax in the PRC is calculated at the appropriate current rates of taxation ruling in the PRC.

## 8. DIVIDEND

The Board does not recommend the payment of a dividend to owners of the Company for the three months ended 31 March 2022 (2021: Nil).

## 9. LOSS PER SHARE

### (a) Basic

The calculations of basic loss per share for the three months ended 31 March 2022 and 2021 are based on the followings:

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss:</b>		
Loss for the period attributable to owners of the Company ( <i>HK\$'000</i> )	<b>(4,963)</b>	(5,698)
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>1,010,605,000</b>	1,010,605,000

### (b) Diluted

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue during the three months ended 31 March 2022 and 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

The principal activity of the Company is investment holding. For the period ended 31 March 2022 (“the Reporting Period”), the Group mainly engages in provision of concrete demolition services and manufacturing and trading of prefabricated construction components.

#### Construction Business

##### *(a) 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.

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
<b>Revenue from</b>		
— private sector project	<b>13,037</b>	10,620
— public sector project	<b>1,389</b>	171
	<u>14,426</u>	<u>10,791</u>

**(b) 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. However, most of these countries were still in the grip of Covid-19 pandemic. The Group believes that it may take more time to materialize the market diversification plan.

## PROSPECT

The Company anticipates that Covid-19 pandemic situation will continue through 2022. In the Reporting Period, the Group was still suffering from the business disruption, such as border closures, lockdowns and restriction measures on supply chain, due to the unexpected outbreaks of Covid-19 from time to time. Despite the difficulties ahead, the Company is optimistic for the prospect of its businesses. The Company 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 the expansion of the Group’s business with a view to optimizing stakeholders’ interests and maximizing their value.

## FINANCIAL REVIEW

### Revenue

Revenue decreased by approximately HK\$3.5 million or 17.6% from approximately HK\$19.9 million for the period ended 31 March 2021 (the “PE2021”) to approximately HK\$16.4 million for the Reporting Period. An analysis of revenue is as follows:

### Revenue by nature

	Three months ended	
	31 March	
	2022	2021
	(Unaudited)	(Unaudited)
<b>Revenue from</b>		
Concrete demolition services	14,426	10,791
Prefabricated construction	1,999	9,114
	<u>16,425</u>	<u>19,905</u>

### Concrete demolition services

Revenue attributable to concrete demolition services increased by HK\$3.6 million from HK\$10.8 million for PE2021 to HK\$14.4 million for the Reporting Period. Such increase was primarily due to an increase of HK\$2.4 million in contract revenue from public sector projects, resulting from a rebound of construction demand and the backlog of the work affected by Covid-19 pandemic in previous years.

## **Prefabricated construction**

Revenue attributable to prefabricated construction decreased by HK\$7.1 million from HK\$9.1 million for PE2021 to HK\$2.0 million for the Reporting Period. Such decrease was primarily due to delays of the projects and disruption to the production of the Group resulting from the outbreak of Covid-19, which led to strict lockdowns in some regions of Guangdong Province, China.

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

Gross profit decreased by approximately HK\$0.6 million or 13.3% from approximately HK\$4.5 million for PE2021 to approximately HK\$3.9 million for the Reporting Period.

Gross profit margin increased from 22.7% for PE2021 to 23.6% for the Reporting Period.

## **Administrative and Other Operating Expenses**

General and administrative expenses decreased by approximately HK\$0.3 million from approximately HK\$8.9 million for PE2021 to approximately HK\$8.6 million for the Reporting Period. The decrease was primarily due to a decrease in transportation cost.

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

As a result of the foregoing, net loss attributable to the owners of the Company decreased by approximately HK\$0.7 million from approximately HK\$5.7 million for PE2021 to approximately HK\$5.0 million for the Reporting Period.

## DISCLOSURE OF INTERESTS

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

As at 31 March 2022, interests or short positions of the Directors, chief executives of the Company in the shares (the “Shares”), underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### (i) Long Position in the Shares and underlying Shares

Name of Directors	Capacity/Nature	Number of Shares and underlying Shares held/interested in	Approximate percentage of shareholding
Zhou Jin	Beneficial owner	284,500,000	28.15%

#### (ii) Interests in debentures of the Company

Name of Chief Executive	Capacity/ Nature of interest	Type/Class of debentures	Amount of Bonds held/interest in
Lai Xiaoliang	Beneficial owner	Fixed rate bond ( <i>Note</i> )	HK\$5,800,000

*Note:* the fixed rate bonds are freely transferrable and not convertible to the Shares of the Company

**(iii) Short positions**

As at 31 March 2022, none of the directors or the chief executive nor their associates had any short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

**B. Substantial Shareholders' and other persons' interests and short positions in the Shares and underlying Shares**

Save as disclosed below, as at 31 March 2022 and so far as is known to the Directors, no person other than certain Directors or chief executive of the Company had any interests or short positions in the Shares and underlying shares of the Company which were required to be recorded in the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

<b>Name of Shareholder</b>	<b>Capacity/ Nature of interest</b>	<b>Number of Shares held/ interested in</b>	<b>Long/short position</b>	<b>Approximate percentage of shareholdings</b>
Huang Cheng	Beneficial owner	188,620,000	Long	18.66%
Zhu Zhou	Beneficial owner	129,000,000	Long	12.76%

**COMPETING INTERESTS**

Having made specific enquiry to all Directors, all of them have confirmed that neither themselves nor their respective close associates (as defined in the GEM Listing Rules) had held any position or had interests in any businesses or companies that were or might be competing with the business of the Group, or gave rise to any concern regarding conflict of interests during the Reporting Period.

**PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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

## **DIVIDEND**

The Board does not recommend payment of a dividend to owners of the Company for the three months ended 31 March 2022 (2021: nil).

## **SHARE OPTION SCHEME**

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

No share options were granted, exercised, lapsed or cancelled during the Reporting Period.

## **AUDIT COMMITTEE**

The Company established an audit committee on 2 August 2014 (the “**Audit Committee**”) with its written terms of reference in compliance with code provisions D.3.3 and D.3.7 of the Corporate Governance Code in Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the Group’s financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. As at the date of this announcement, the Audit Committee consists of three members, namely, Mr. Li Kar Fai, Peter (Chairman of Audit Committee), Mr. Chan Chi Pan and Mr. Cao Hongmin.

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

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

Hong Kong, 13 May 2022

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