

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

*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 six months ended 30 June 2023, the operating results of the Group were as follows:

- Revenue amounted to approximately HK\$56.4 million (six months ended 30 June 2022: approximately HK\$46.8 million), representing an increase of approximately 20.5% from the corresponding period of last year.
- Net loss amounted to approximately HK\$4.1 million, representing a decrease of HK\$0.1 million as compared to net loss of approximately HK\$4.2 million for the corresponding period of last year.
- Basic and diluted loss per share based on weighted average number of ordinary shares was approximately HK0.48 cents (six months ended 30 June 2022: basic and diluted loss per share of approximately HK0.39 cents).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

INTERIM RESULTS

The board (“**Board**”) of Directors is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2022, as follows:–

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

	<i>Notes</i>	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	4	32,527	30,390	56,389	46,815
Cost of sales		(21,131)	(21,036)	(37,862)	(33,588)
Gross profit		11,396	9,354	18,527	13,227
Other income and net gains		753	1,895	1,407	2,738
Administrative and other operating expenses		(10,966)	(8,960)	(20,528)	(17,539)
Operating profit/(loss)	6	1,183	2,289	(594)	(1,574)
Finance costs		(1,735)	(1,529)	(3,547)	(3,071)
(Loss)/profit before income tax		(552)	760	(4,141)	(4,645)
Income tax expenses	7	—	489	—	489
(Loss)/profit for the period		(552)	1,249	(4,141)	(4,156)

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive loss:				
Items that may be reclassified to profit or loss	<u>(1,313)</u>	(1,041)	<u>(1,025)</u>	(902)
Total comprehensive (loss)/profit for the period	<u>(1,865)</u>	<u>208</u>	<u>(5,166)</u>	<u>(5,058)</u>
(Loss)/profit for the period attributable to:				
Owners of the Company	(1,051)	975	(4,810)	(3,986)
Non-controlling interests	<u>499</u>	<u>274</u>	<u>669</u>	<u>(170)</u>
	<u>(552)</u>	<u>1,249</u>	<u>(4,141)</u>	<u>(4,156)</u>
Total comprehensive (loss)/income for period attributable to:				
Owners of the Company	(2,122)	(624)	(5,645)	(4,950)
Non-controlling interests	<u>257</u>	<u>832</u>	<u>479</u>	<u>(108)</u>
Total comprehensive (loss)/profit for the period	<u>(1,865)</u>	<u>208</u>	<u>(5,166)</u>	<u>(5,058)</u>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted (loss)/ profit per share	<u>(0.10)</u>	<u>0.10</u>	<u>(0.48)</u>	<u>(0.39)</u>

9

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)**

		30 June	31 December
		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		11,749	12,863
Right-of-use assets		10,041	12,484
Goodwill		938	938
		<u>22,728</u>	<u>26,285</u>
Current assets			
Inventories		1,846	3,162
Trade and other receivables	<i>11</i>	71,145	71,321
Bank and cash balances		36,177	36,254
		<u>109,168</u>	<u>110,737</u>
Current liabilities			
Trade and other payables	<i>12</i>	50,003	47,492
Borrowings	<i>13</i>	46,878	46,928
Lease liabilities		3,323	4,287
Tax payable		20	20
		<u>100,224</u>	<u>98,727</u>
Net current assets		<u>8,944</u>	<u>12,010</u>
Total assets less current liabilities		<u>31,672</u>	<u>38,295</u>
Non-current liabilities			
Borrowings	<i>13</i>	29,250	29,250
Lease liabilities		7,916	9,373
Deferred tax liabilities		497	497
		<u>37,663</u>	<u>39,120</u>
NET LIABILITIES		<u><u>(5,991)</u></u>	<u><u>(825)</u></u>

		30 June	31 December
		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Capital and reserves			
Share capital	<i>14</i>	10,106	10,106
Reserves		(17,500)	(11,855)
		<hr/>	<hr/>
Equity attributable to owners of the Company		(7,394)	(1,749)
Non-controlling interests		1,403	924
		<hr/>	<hr/>
TOTAL DEFICIT		(5,991)	(825)
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2023

	Attributable to owners of the Company									
	Share capital	Share premium	Merger reserves	Share-based payment	Foreign currency translation reserve	Other reserve	Accumulated losses	Sub-total	Non- controlling interest	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 January 2023	10,106	268,953	15,800	2,480	(2,399)	(1,672)	(295,017)	(1,749)	924	(825)
(Loss)/profit and total comprehensive loss for the period	—	—	—	—	(835)	—	(4,810)	(5,645)	479	(5,166)
Balance at 30 June 2023 (unaudited)	<u>10,106</u>	<u>268,953</u>	<u>15,800</u>	<u>2,480</u>	<u>(3,234)</u>	<u>(1,672)</u>	<u>(299,827)</u>	<u>(7,394)</u>	<u>1,403</u>	<u>(5,991)</u>
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
Loss and total comprehensive loss for the period	—	—	—	—	(964)	—	(3,986)	(4,950)	(108)	(5,058)
Balance at 30 June 2022 (unaudited)	<u>10,106</u>	<u>268,953</u>	<u>15,800</u>	<u>2,480</u>	<u>(2,749)</u>	<u>(1,672)</u>	<u>(288,674)</u>	<u>4,244</u>	<u>(5,903)</u>	<u>(1,659)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended	
	30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating activities		
Cash generated from/(used in) operations	5,471	(3,598)
Income tax refund	—	2,993
Lease interest paid	<u>(320)</u>	<u>(293)</u>
Net cash inflow/(outflow) from operating activities	<u>5,151</u>	<u>(898)</u>
Investing activities		
Payment for purchase of property, plant and equipment	(1,164)	(955)
Proceeds from disposal of property, plant and equipment	35	—
Other cash flow arising from investing activities	<u>11</u>	<u>1</u>
Net cash outflow from investing activities	<u>(1,118)</u>	<u>(954)</u>
Financing activities		
Advance from a director	—	3,000
Other cash flow arising from financing activities	<u>(3,655)</u>	<u>(3,609)</u>
Net cash outflow from financing activities	<u>(3,655)</u>	<u>(609)</u>
Net increase/(decrease) in cash and cash equivalents	378	(2,461)
Effect of foreign exchange rate changes	(455)	(579)
Cash and cash equivalents at 1 January	<u>36,254</u>	<u>37,127</u>
Cash and cash equivalents at 30 June	<u><u>36,177</u></u>	<u><u>34,087</u></u>
Analysis of balances of cash and cash equivalents:		
— Cash and bank balances	<u><u>36,177</u></u>	<u><u>34,087</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 (the “**Stock Exchange**”) 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 six months ended 30 June 2023 have been prepared by the Directors in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) 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 six months ended 30 June 2023 are consistent with those adopted in the annual financial statements of the Company for the year ended 31 December 2022.

The unaudited condensed consolidated financial statements have been prepared on the going-concern basis which assumes the continuity of normal business activity and the realization of assets and the settlement of liabilities in the normal course of business.

As at 30 June 2023, the Group had net current assets of HK\$8.9 million (As at 31 December 2022: HK\$12.0 million). The Directors considered the following in evaluating the Group’s ability to continue as a going concern:

- Total cash and cash equivalents of HK\$36.2 million were held by the Group;
- Bond payables of HK\$5.0 million and HK\$0.8 million are maturing in July 2023 and August 2023, respectively. After the date of reporting, the Company has entered into extension agreements with the bondholder to extend the repayment period of one more year to July 2024 and August 2024, respectively.

- The loans of HK\$29.3 million due to a director are maturing in March 2025.
- The Group has been taking continuous measures to tighten cost control over the general expense in a bid to attain positive cash flow operations.

Following the evaluation of the above, and also considering the Group’s various alternate funding options available to it should the need arise, including raising capital to settle a portion of existing debt, and sale of assets, the Directors are of the view that the Group will be able to meet its debts as and when they fall due and accordingly the Directors have prepared the unaudited condensed consolidated interim financial statements on a going concern basis.

The financial statements for the six months ended 30 June 2023 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 six months ended 30 June 2023 are presented in Hong Kong dollars (“**HK\$**”), which is the same functional currency of the Company.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)
HKAS 8	Definition of Accounting Estimates (amendments)
HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction (amendments)
Amendments to HKAS 12	International tax Reform – Pillar Two Model Rules

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

The Group has not applied any new and amendments to HKFRS that have been issued but not yet effective for the current accounting period.

3. ESTIMATES

The preparation of interim 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 interim 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 2022.

4. REVENUE AND SEGMENT INFORMATION

The Group's revenue is analysed as follows:

	Six months ended	
	30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Provision of concrete demolition services	31,621	34,158
Manufacturing and trading of prefabricated construction components	24,768	12,657
	<u>56,389</u>	<u>46,815</u>

The Group determines its operating segments based on the reports reviewed by the executive Directors for the purposes of resources allocation and performance assessment. During the Reporting Period, the Group operates in its sole operating segment for construction business that is engaged in provision of concrete demolition services and prefabricated construction.

The information reported to the Group's executive Directors for the purposes of resource allocation and performance assessment does not contain discrete operating segment financial information and the Group's executive Directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented other than the entity-wide disclosures.

Disaggregation of revenue from contracts with customers:

Timing of revenue recognition:

	Six months ended	
	30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
At a point in time	24,768	12,657
Over time	31,621	34,158
	<u>56,389</u>	<u>46,815</u>

Geographical information:

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

	Six months ended	
	30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Hong Kong	31,621	34,158
The People's Republic of China (the "PRC")	24,768	12,657
	<u>56,389</u>	<u>46,815</u>
	At 30 June	At 31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Hong Kong	11,018	14,349
The PRC	11,710	11,936
	<u>22,728</u>	<u>26,285</u>

Information about major customers:

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

	Six months ended	
	30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	—	6,817
Customer B	—	5,736
	<u> </u>	<u> </u>

Customer A and B did not contribute over 10% of the Group's revenue for the Reporting Period, the figures shown was for comparative disclosure purpose only.

5. FINANCIAL RISK MANAGEMENT

The Group's activities exposed it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk.

The interim condensed consolidation financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2022.

There have been no changes in the risk management policies since year end.

6. OPERATING LOSS

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

	Six months ended	
	30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Staff cost, including directors' remuneration	18,921	19,371
Depreciation of property, plant and equipment	2,010	2,158
Depreciation of right-of-use assets	2,756	2,263
Impairment loss on trade receivables	1,957	566
Reversal of impairment loss on trade receivables	(227)	(12)
Reversal of impairment loss on other receivables	—	(1,671)
Gain on disposal of property, plant and equipment	(35)	—
Government grant income	(417)	(488)
	<u>18,921</u>	<u>19,371</u>

7. INCOME TAX EXPENSE

	Six months ended	
	30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Hong Kong profits tax		
— Provision for the year	—	—
— Over-provision in prior years	—	(489)
	—	(489)
PRC Enterprise income tax	—	—
	—	(489)
	<u>—</u>	<u>(489)</u>

No provision for Hong Kong Profit Tax has been made as the Group does not generate any assessable profit for the Reporting Period (2022: 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. INTERIM DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

9. (LOSS)/PROFIT PER SHARE

(a) Basic

The calculations of basic loss per share for the six months ended 30 June 2023 and 2022 are based on the followings:

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit:				
(Loss)/profit for the period attributable to the owners of the Company (HK\$'000)	<u>(1,051)</u>	<u>975</u>	<u>(4,810)</u>	<u>(3,986)</u>
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	<u>1,010,605</u>	<u>1,010,605</u>	<u>1,010,605</u>	<u>1,010,605</u>

The calculation of the basic loss per share attributable to owners of the Company was based on (i) the profit/(loss) for the period attributable to owners of the Company and (ii) the weighted average number of ordinary shares issued during the period as stated above.

(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 period ended 30 June 2023 and 2022.

10. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired property, plant and equipment of HK\$1,164,000 (Six months ended 30 June 2022: HK\$955,000).

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Unaudited)
Trade receivables	72,041	70,573
Less: allowance for impairment of trade receivables	<u>(7,782)</u>	<u>(6,342)</u>
Trade receivables, net	<u>64,259</u>	<u>64,231</u>
Retention receivables	1,453	1,987
Less: allowance for impairment of retention receivables	<u>(9)</u>	<u>(9)</u>
Retention receivables, net	<u>1,444</u>	<u>1,978</u>
Prepayments and trade deposits	25,924	30,050
Less: allowance for impairment of prepayments and trade deposits	<u>(25,630)</u>	<u>(26,059)</u>
	<u>294</u>	<u>3,991</u>
Other deposits and receivables	<u>5,148</u>	<u>1,121</u>
	<u>71,145</u>	<u>71,321</u>

Note:

Trade receivables are past due when a counterparty has failed to make a payment when contractually due. The average credit period granted to customers is 45 days generally.

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

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Unaudited)
0-30 days	34,391	27,742
31-60 days	2,106	6,659
61-90 days	4,849	7,106
91-365 days	15,564	13,250
Over 365 days	7,349	9,474
	<u>64,259</u>	<u>64,231</u>

12. TRADE AND OTHER PAYABLES

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Unaudited)
Trade payables	24,150	22,774
Accruals	5,422	3,359
Interest payables on borrowings	9,345	7,549
Payables for the acquisition of property, plant and equipment	—	1,286
Other payables		
— Deposit received	1,979	3,051
— Others	9,107	9,473
	<u>50,003</u>	<u>47,492</u>

Note:

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

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

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Unaudited)
0-30 days	3,560	6,703
31-60 days	2,564	3,737
61-90 days	3,505	3,935
Over 90	14,521	8,399
	<u>24,150</u>	<u>22,774</u>

13. BORROWINGS

	<i>Note</i>	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
Other loan	<i>(a)</i>	40,000	40,000
Bonds payables	<i>(b)</i>	5,800	5,800
Loans from a director	<i>(c)</i>	29,250	29,250
Bank borrowings	<i>(d)</i>	1,078	1,128
		<u>76,128</u>	<u>76,178</u>

Borrowings were repayable as follows:

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Within 1 year	46,878	46,928
In the second year	—	—
In the third year	29,250	29,250
	<u>76,128</u>	<u>76,178</u>

- (a) The other loan of HK\$40,000,000 was unsecured, interest bearing at 6.75% per annum and repayable on 25 November 2023.
- (b) The Company issued a number of HK\$- denominated bonds with an aggregate principal of HK\$5,800,000. The bonds are unsecured, bearing interest rates at 12% per annum and repayable during the period from July 2023 to August 2023.
- (c) The loans from a director were interest- bearing at 10% per annum, unsecured and repayable on 31 March 2025.
- (d) The bank borrowings with principle of RMB1,000,000 (equivalent to approximately HK\$1,078,000) was unsecured interest bearing at 4.2% per annum and repayable on 1 July 2023.

14. SHARE CAPITAL

Ordinary shares of HK\$0.01 each:

Authorised:	Number of ordinary shares	Amount <i>HK\$'000</i>
Ordinary shares at 31 December 2022 and 30 June 2023	<u>2,000,000,000</u>	<u>20,000</u>
	Number of ordinary shares	Amount <i>HK\$'000</i>
Issued and fully paid:		
Ordinary shares at 31 December 2022 and 30 June 2023	<u>1,010,605,000</u>	<u>10,106</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The principal activity of the Company is investment holding. For the six months ended 30 June 2023 (the “**Reporting Period**”), the Group mainly engaged in provision of concrete demolition services and manufacturing and trading of prefabricated construction components.

Concrete demolition services

Concrete demolition is one of the areas 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.

	Six months ended	
	30 June	
	2023	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue from		
— private sector project	17,057	22,887
— public sector project	14,564	11,271
	<u>31,621</u>	<u>34,158</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.

PROSPECT

China and Hong Kong governments continue to champion major infrastructure projects to boost their economy's productive potential and drive the post-Covid economic recovery. Despite a looming economic recession in major markets stemming from soaring energy prices and rising interest rates, the prospects for growth in the construction industry in China and Hong Kong continue to improve. The Company is optimistic for the future growth 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 increased by approximately HK\$9.6 million or 20.5% from approximately HK\$46.8 million for the six months ended 30 June 2022 (“HY2022”) to approximately HK\$56.4 million for the Reporting Period. An analysis of revenue was shown as follows:

	For the six months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
Revenue from		
— Concrete demolition services	31,621	34,158
— Prefabricated construction	24,768	12,657
	<u>56,389</u>	<u>46,815</u>

Concrete demolition services

Revenue attributable to concrete demolition services decreased by HK\$2.6 million from HK\$34.2 million for HY2022 to HK\$31.6 million for the Reporting Period. The decrease was primary due to a decrease of HK\$5.8 million in revenue from private sector projects, but offset by an increase of HK\$3.2 million in revenue from public sector projects.

Prefabricated construction

Revenue attributable to prefabricated construction increased by HK\$12.1 million from HK\$12.7 million for HY2022 to HK\$24.8 million for the Reporting Period. Such increase was in large part due to the low comparison base resulting from imposing a lockdown restrictions in some regions of Guangdong Province, China in the first quarter of 2022.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately HK\$5.3 million or 40.2% from approximately HK\$13.2 million for HY2022 to approximately HK\$18.5 million for the Reporting Period.

Gross profit margin increased from 28.3% for HY2022 to 32.9% for the Reporting Period.

Administrative and Other Operating Expenses

General and Administrative expenses increased by approximately HK\$3.0 million from approximately HK\$17.5 million for HY2022 to approximately HK\$20.5 million for the Reporting Period. The increase was primarily due to an increase of approximately HK\$1.4 million in impairment loss on trade receivables and an increase in other general expenses, such as legal and professional fee, amortisation of right-of-use assets, transportation and etc.

Loss Attributable to Owners of the Company

As a result of the foregoing, net loss attributable to the owners of the Company increased by approximately HK\$0.6 million from approximately HK\$5.0 million for HY2022 to approximately HK\$5.6 million for the Reporting Period.

Liquidity, Financial Resources, and Capital Structure

As at 30 June 2023, the Group had bank and cash balances of approximately HK\$36.2 million (31 December 2022: approximately HK\$36.3 million).

As at 30 June 2023 and 31 December 2022, the gearing ratio, which is calculated as total borrowings (including interest-bearing loans and bond payable) divided by total equity, is not applicable due to negative total equity of the Group.

Treasury Policy

The Group adopted a prudent financial management approach towards its treasury policies and 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 monitored 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 Currency Risk

The Group principally operates its businesses in Hong Kong and the PRC. Most of the operating transactions, revenue, expenses, monetary assets and liabilities were denominated in HK dollar. The Group has certain subsidiaries operating in the PRC, in which most of their transactions, including revenue, expenses and other financing activities, are denominated in Chinese Renminbi. As such, our Directors were of the view that 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.

Debts and Charge on Assets

As at 30 June 2023, the total borrowings of the Group, including unsecured fixed bonds and other loan, amounted to approximately HK\$76.1 million (31 December 2022: approximately HK\$76.2 million). The annual interest rates of the borrowings ranged from 4.2% to 12.0% per annum. All of the borrowings are unsecured and denominated in Hong Kong dollar and Chinese Renminbi. The borrowings of HK\$46.9 million were repayable within one year which was accounted for as current liabilities of the Group and the borrowings of HK\$29.2 million were repayable over one year which was accounted for as non-current liabilities.

Employee and Remuneration Policies

As at 30 June 2023, the Group employed 96 staff. The total staff costs (including directors' emoluments) for the Reporting Period amounted to approximately HK\$18.9 million (HY2022: approximately HK\$19.4 million).

The salary and benefits of the employees of the Group were competitive. This is very important as the construction industry had been experiencing labour shortage in general. Individual performance of our employees was awarded through the Group's salary and bonus system. In addition, the Group provided adequate job training to employees in order to equip them with practical knowledge and skills for tackling challenges encountered in diverse work sites.

Commitments and Contingent Liability

The Group did not have material capital commitments and contingent liabilities as at 30 June 2023 (31 December 2022: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

DISCLOSURE OF INTERESTS

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

As at 30 June 2023, 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 (Note)	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 30 June 2023, none of the Directors or 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 30 June 2023 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.

Number of Shareholder	Capacity/ Nature of interest	Number of Shares held/ interested in	Long/short position	Approximate percentage of shareholdings
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 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, 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.

CORPORATE GOVERNANCE CODE

The Corporate Governance Code (the “**Code**”) in Appendix 15 to the GEM Listing Rules sets out the principles of good corporate governance, code provisions and recommended best practices. Issuers are expected to comply with the code provisions or devise their own code on corporate governance on the terms they consider appropriate provided that considered reasons are given. Throughout the Reporting Period, the Company had complied with the applicable code provisions of the Code with exception of the deviations as explained below:

The Code provision C.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.

The Code provision F.2.2 stipulates that the chairman of the Board should attend the annual general meeting. The chairman of the Board, Mr. Liu Yingjie, was unable to attend the annual general meeting held on 8 June 2023 due to other business commitment. The Board elected Mr. Li Kar Fai, Peter, to chair the annual general meeting.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group had 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 to the Directors, all the Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the Reporting Period.

DIVIDEND

The Board does not recommend payment of interim dividend to shareholders of the Company for the six months ended 30 June 2023 (2022: nil).

SHARE OPTION SCHEME

The Company has conditionally adopted a 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.

Particulars of the outstanding and movement of share options under the Share Option Scheme (the “Share Options”) during the Reporting Period are as follows:

Grantee	Date of grant	Number of Share Options				Exercise Period	Exercise price per share
		As at 1 January 2023	Granted during the Reporting Period	Lapsed during the Reporting Period	As at 30 June 2023		
Former Director	14 June 2016	6,200,000	—	—	6,200,000	15 June 2016 to 14 June 2026	HK\$0.830

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 paragraphs 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, 10 August 2023

As at the date of this announcement, the executive Director is Mr. Liu Yingjie; and the independent non-executive Directors are Mr. Cao Hongmin, Mr. Li Kar Fai, Peter and Mr. Chan Chi Pan.