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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

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.

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 year ended 31 December 2023, the operating results of the Group were as follows:

- Revenue amounted to approximately HK$107.6 million (2022: approximately HK$118.5 million), representing a decrease of approximately 9.2% from last year;

- Net loss for the year ended 31 December 2023 amounted to approximately HK$9.1 million (2022: net loss of approximately HK$2.7 million);

- Basic and diluted loss per share for the year ended 31 December 2023 based on weighted average number of ordinary shares was approximately HK0.97 cents (2022: Basic and diluted loss per share of approximately HK1.02 cents);

- The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 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 2023

	Note	**2023**	2022
		HK$'000	*HK$'000*
Revenue	*4*	**107,606**	118,533
Cost of sales		**(73,867)**	(83,142)
Gross profit		**33,739**	35,391
Other income and other gains, net		**5,035**	8,549
Impairment losses on trade receivables, net		**(3,968)**	(4,612)
Administrative and other operating expenses		**(36,735)**	(35,939)
Operating (loss)/profit		**(1,929)**	3,389
Finance costs	*6*	**(7,113)**	(6,412)
Loss before income tax		**(9,042)**	(3,023)
Income tax (expenses)/credits	*7*	**(104)**	364
Loss for the year	*8*	**(9,146)**	(2,659)
Other comprehensive (loss)/income:			
Items that have been reclassified or may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(798)**	(1,456)
Foreign currency translation reserve classified to profit or loss upon deregistration of subsidiaries		**–**	522
Total other comprehensive loss for the year		**(798)**	(934)
Total comprehensive loss for the year		**(9,944)**	(3,593)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(9,773)**	(10,329)
Non-controlling interests		**627**	7,670
		(9,146)	(2,659)

	Note	**2023**	2022
		HK$'000	*HK$'000*
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(10,426)**	(10,943)
Non-controlling interests		**482**	7,350
		(9,944)	(3,593)

	Note	**2023**	2022
		HK cents	*HK cents*
Loss per share	*10*		
Basic		**(0.97)**	(1.02)
Diluted		**(0.97)**	(1.02)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	**2023**	2022
	Note	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**11,645**	12,863
Right-of-use assets		**10,683**	12,484
Goodwill		**938**	938
		23,266	26,285
Current assets			
Inventories		**1,856**	3,162
Trade and other receivables and prepayments	*11*	**59,007**	71,321
Bank and cash balances		**36,153**	36,254
		97,016	110,737
Current liabilities			
Trade and other payables	*12*	**31,333**	47,492
Borrowings		**46,896**	46,928
Lease liabilities		**4,562**	4,287
Long service payment obligation		**475**	–
Current tax liabilities		**99**	20
		83,365	98,727
Net current assets		**13,651**	12,010
Total assets less current liabilities		**36,917**	38,295
Non-current liabilities			
Interest payables on borrowing	*12*	**8,258**	–
Borrowings		**29,250**	29,250
Lease liabilities		**7,449**	9,373
Long service payment obligation		**2,227**	–
Deferred tax liabilities		**502**	497
		47,686	39,120
NET LIABILITIES		**(10,769)**	(825)

	Note	**2023**	2022
		HK$'000	*HK$'000*
Capital and reserves			
Share capital	*13*	**10,106**	10,106
Reserves		**(22,281)**	(11,855)
Equity attributable to owners of the Company		**(12,175)**	(1,749)
Non-controlling interests		**1,406**	924
TOTAL DEFICIT		**(10,769)**	(825)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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, Habour 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. GOING CONCERN BASIS

The Group incurred a loss attributable to the owners of the Company of approximately HK$9,773,000 for the year ended 31 December 2023, and the Group has net liabilities of approximately HK$10,769,000 as at 31 December 2023. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have been undertaking a number of plans and measures to improve the Group's liquidity and financial position, including:

(i) the Directors have reviewed the Group's cash flow projection prepared by management, which covered a period of not less than twelve months from 31 December 2023. In the opinion of the Directors, the Group will have sufficient working capital to meet its financial obligations as and when they fall due and carry on its business without a significant curtailment of operations not less than twelve months from 31 December 2023. Accordingly, the consolidated financial statements have been prepared on a going concern basis;

(ii) the lender of the other loan executed a letter agreed not to demand for repayment for other loan with principal of HK$40,000,000 until the Group can meet all the other financial obligations of the Group and willing to negotiate with the Group when the terms mature;

(iii) the holder of the bonds payables executed a letter agreed not to demand for repayment for bonds payables with principal of HK$5,800,000 and the accrued interest until the Group can meet all the other financial obligations of the Group and willing to negotiate with the Group when the terms mature;

(iv) the lender of the loan from a former director executed a letter agreed to negotiate with the Group when the terms mature; and

(v) the Group shall implement cost-saving measures to maintain adequate cash flows for the Group's operations.

Based on the cash flow projection of the Group and having taken into account the available financial resources of the Group and the above measures, the Directors consider that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

3.2 Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

ii) the Group also, as at l January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group disclose the related deferred tax assets of HK$2,307,000 and deferred tax liabilities of HK$2,307,000 at 1 January 2022 on a gross basis but it has no material impact on the accumulated losses at the earliest period presented.

3.3 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

3.4 Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Govemment of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "**Abolition**"). The Abolition will officially take effect on 1 May 2025 (the "**Transition Date**"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023. the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee’s LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA’s guidance, as a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as “independent of the number of years of service” and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19. Accordingly, the Group has recognised a cumulative catch-up adjustment in profit or loss for the service cost, interest expense and remeasurement effect from changes in actuarial assumptions for the year ended 3l December 2023, with corresponding adjustment to the LSP obligation. The cumulative catch-up adjustment is calculated as the difference at the enactment date (16 June 2022) between the carrying amount of the LSP liability calculated under paragraph 93(b) of HKAS 19 before the Abolition and the carrying amount of the LSP liability calculated under paragraph 93(a) of HKAS 19 after the Abolition.

The details of the impacts on each financial statement line item and loss per share are set out under “Impacts of application of amendments to HKFRSs and changes of other accounting policies on the consolidated financial statements” below:

Impacts of application of changes in other accounting policies on the consolidated financial statements

The effects of the changes in accounting policies as a result of application of the changes in other accounting policies as the abolition of the MPF-LSP offsetting mechanism in Hong Kong on the consolidated statement of profit or loss and other comprehensive income and loss per share, are as follows:

	2023
	HK$'000
Impact on loss for the year	
Increase in cost of sales	**(2,074)**
Increase in administrative and other operating expenses	**(600)**
Increase in finance costs	**(28)**
	(2,702)
Impact on total comprehensive loss for the year	
Increase in total comprehensive loss for the year attributable to:	
– Owners of the Company	**(2,702)**
	(2,702)

	2023
	HK cents
Impact on basic loss per share	
Basic loss per share before adjustments	**(0.70)**
Net adjustments arising from change in accounting policy in relation to:	
– Abolition of the MPF-LSP offsetting mechanism	**(0.27)**
Reported basic loss per share *(note 10)*	**(0.97)**

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

4. REVENUE

The Group's revenue is analysed as follows:

	2023	2022
	HK$'000	*HK$'000*
Provision of concrete demolition and construction engineering services	**68,036**	69,377
Manufacturing and trading of prefabricated precast construction	**39,570**	49,156
	107,606	118,533

Disaggregation of revenue from contracts with customers:

	2023	2022
	HK$'000	*HK$'000*
Timing of revenue recognition		
At a point in time	**39,570**	49,156
Over time	**68,036**	69,377
	107,606	118,533

Provision of concrete demolition and construction engineering services

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. 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.

Manufacturing and trading of prefabricated precast construction

Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the products, and there is no more unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the location as agreed on the sales contract and are handed over to customer. The risks of obsolescence and loss have been transferred to the customers when either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the products are delivered 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.

Revenue is measured at the amount receivable under the sales contract.

5. SEGMENT INFORMATION

The Group has one (2022: one) reportable segments as follows:

Construction	Provision of concrete demolition and construction engineering services and manufacturing and trading of prefabricated precast construction

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 borrowings, current tax liabilities, deferred tax liabilities and other unallocated corporate liabilities.

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

	Construction
	HK$'000
Year ended 31 December 2023:	
Revenue from external customers	**107,606**
Segment profit	**1,647**
Depreciation of property, plant and equipment	**4,652**
Depreciation of right-of-use assets	**4,751**
Impairment losses on trade receivables, net	**3,968**
Additions to segment non-current assets	**6,731**
At 31 December 2023:	
Segment assets	**82,109**
Segment liabilities	**38,071**

	Construction
	HK$'000
Year ended 31 December 2022:	
Revenue from external customers	118,533
Segment profit	4,555
Depreciation of property, plant and equipment	4,887
Depreciation of right-of-use assets	4,217
Impairment losses on trade receivables, net	4,525
Additions to segment non-current assets	12,055
At 31 December 2022:	
Segment assets	98,465
Segment liabilities	48,369

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

	2023	2022
	HK$'000	*HK$'000*
Profit or loss:		
Total profit of reportable segment	**1,647**	4,555
Corporate and unallocated loss	**(10,689)**	(7,578)
Loss before income tax	**(9,042)**	(3,023)
Assets:		
Total assets of reportable segment	**82,109**	98,465
Bank and cash balances	**36,153**	36,254
Corporate and unallocated assets	**2,020**	2,303
Total assets	**120,282**	137,022
Liabilities:		
Total liabilities of reportable segment	**38,071**	48,369
Borrowings	**76,146**	76,178
Deferred tax liabilities	**502**	497
Corporate and unallocated liabilities	**16,332**	12,803
Total liabilities	**131,051**	137,847

Geographical information:

	2023 *HK$'000*	2022 *HK$'000*
Revenue:		
Hong Kong	**68,036**	69,377
The People's Republic of China (the "**PRC**")	**39,570**	49,156
	107,606	118,533

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

	2023 *HK$'000*	2022 *HK$'000*
Non-current assets:		
Hong Kong	**13,459**	14,349
The PRC	**9,807**	11,936
	23,266	26,285

No revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue for the years ended 31 December 2023 and 2022.

6. FINANCE COSTS

	2023 *HK$'000*	2022 *HK$'000*
Interest on lease liabilities	**656**	660
Interest on other loan	**2,700**	2,700
Interest on loan from a former director	**2,925**	2,253
Interest on bond payables	**696**	696
Interest on bank borrowings	**45**	103
Total interest expense on financial liabilities not at fair value through profit or loss	**7,022**	6,412
Interest on discounted bills receivable	**63**	–
Interest cost on LSP	**28**	–
	7,113	6,412

7. INCOME TAX EXPENSES/(CREDITS)

	2023	2022
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for current year	**99**	–
Over-provision in prior years	**–**	(470)
Current tax – The PRC		
Over-provision in prior years	**–**	(22)
	99	(492)
Deferred tax	**5**	128
Income tax expenses/(credits)	**104**	(364)

Hong Kong Profits Tax is provided at 16.5% (2022: 16.5%) based on the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2022 as the Group did not generate any assessable profits arising in Hong Kong during the year ended 31 December 2022.

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

8. LOSS FOR THE YEAR

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

	2023	2022
	HK$'000	*HK$'000*
Cost of inventories sold/services provided	**73,867**	83,142
Depreciation of property, plant and equipment	**4,675**	5,369
Depreciation of right-of-use assets	**5,474**	4,941
Reversal of impairment loss on trade receivables	**–**	(87)
Loss on deregistration of subsidiaries	**–**	1,224
Gain on disposals of property, plant and equipment	**(35)**	(96)
Impairment losses on trade receivables	**3,968**	4,612
Staff costs (including directors' remuneration)		
Salaries, bonus and allowances	**38,296**	39,848
Retirement benefits scheme contributions	**1,438**	1,194
Past service cost	**2,331**	–
	42,065	41,042
Expenses related to short-term lease	**751**	546
Auditor's remuneration – audit services	**500**	700

9. DIVIDEND

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

10. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$9,773,000 (2022: loss of approximately HK$10,329,000) and the weighted average number of ordinary shares of 1,010,605,000 (2022: 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 2023 and 2022.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**64,994**	70,573
Less: allowance for impairment of trade receivables	**(10,090)**	(6,342)
Trade receivables, net	**54,904**	64,231
Retention receivables	**1,212**	1,987
Less: allowance for impairment of retention receivables	**(9)**	(9)
Retention receivables, net	**1,203**	1,978
Prepayments	**5,547**	8,503
Less: allowance for impairment of prepayments	**(4,385)**	(4,512)
Prepayments, net	**1,162**	3,991
Deposits and other receivables	**22,675**	22,668
Less: allowance for deposits and other receivables	**(20,937)**	(21,547)
Deposits and other receivables, net *(note)*	**1,738**	1,121
	59,007	71,321

Note: Included in the deposits and other receivables of approximately gross amount of RMB19,100,000 (equivalent to HK$20,937,000) (2022: HK$21,547,000) as at 31 December 2023 was related to a prepayment made previously to a supplier in the construction business.

The Group made a prepayment amounted to RMB26,100,000 (equivalent to HK$28,611,000) to a supplier in respect of a potential collaboration project in 2019. Due to the change in economic environmental conditions, the potential collaboration project was not executed. The Group and the supplier entered into a supplemental agreement ("**Supplemental Agreement**") on 16 March 2021, which stated that (i) the supplier would refund RMB7,000,000 to the Group by 26 March 2021 ("**1st Refund**"); (ii) the supplier would refund another RMB7,000,000 ("**2nd Refund**") if the Group is unable to enter into any new business with the supplier before 31 August 2021; and (iii) the supplier would refund the remaining amount of RMB12,100,000 ("**Remaining Refund**") before 14 January 2022 if the Group is unable to enter into any new business with the supplier before 31 December 2021.

The 1st Refund was received by the Group during March 2021 under the terms as stated in the Supplemental Agreement, while the 2nd Refund has not been received by the Group as at 31 December 2021. The Group was not able to enter any new business with the supplier before 31 December 2021 and the Remaining Refund of RMB12,100,000 has not been received by the Group by the due date. The Group has fully impaired the balances of 2nd Refund and the Remaining Refund amounted to RMB19,100,000 during the year ended 31 December 2021. There was no further business development between the Group and the supplier and the aforesaid balances have not been repaid up to the date of approval of these consolidated financial statements.

The Group allows an average credit period of 30 days to its trade customers. The following is ageing analysis of trade receivables, net, based on invoice date:

	2023	2022
	HK$'000	*HK$'000*
0-30 days	**25,896**	27,742
31-60 days	**4,974**	6,659
61-90 days	**3,801**	7,106
91-365 days	**17,496**	13,250
Over 365 days	**2,737**	9,474
	54,904	64,231

12. TRADE AND OTHER PAYABLES

		2023	2022
	Note	***HK$'000***	*HK$'000*
Trade payables	*(a)*	**15,570**	22,774
Accruals		**3,347**	3,359
Interest payables on borrowings		**12,521**	7,549
Payables for the acquisition of property, plant and equipment		**456**	1,286
Others		**7,697**	12,524
		39,591	47,492
Presented as:			
Current liabilities		**31,333**	47,492
Non-current liabilities		**8,258**	–
		39,591	47,492

Note:

(a) 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:

	2023	2022
	HK$'000	*HK$'000*
0-30 days	**3,470**	6,703
31-60 days	**855**	3,737
61-90 days	**412**	3,935
Over 90 days	**10,833**	8,399
	15,570	22,774

13. SHARE CAPITAL

	Number of ordinary shares	**Share capital**
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each:		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	2,000,000,000	20,000

	Number of ordinary shares	**Share capital**
		HK$'000
Issued and fully paid:		
Ordinary shares of HK$0.01 each:		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	1,010,605,000	10,106

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 2023.

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 2023, 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

As set out in note 11 to the consolidated financial statements, the Group recognised impairment loss of approximately RMB19,100,000 (equivalent to HK$20,937,000) against its other receivable. The aforesaid other receivable was related to a prepayment made previously to a supplier in the construction business.

The Group made a prepayment amounted to RMB26,100,000 (equivalent to HK$28,611,000) to a supplier in respect of a potential collaboration project in 2019. Due to the change in economic environmental conditions, the potential collaboration project was not executed. The Group and the supplier entered into a supplemental agreement ("**Supplemental Agreement**") on 16 March 2021, which stated that (i) the supplier would refund RMB7,000,000 to the Group by 26 March 2021 ("**1st Refund**"); (ii) the supplier would refund another RMB7,000,000 ("**2nd Refund**") if the Group is unable to enter into any new business with the supplier before 31 August 2021; and (iii) the supplier would refund the remaining amount of RMB12,100,000 ("**Remaining Refund**") before 14 January 2022 if the Group is unable to enter into any new business with the supplier before 31 December 2021.

The 1st Refund was received by the Group during March 2021 under the terms as stated in the Supplemental Agreement, while the 2nd Refund has not been received by the Group as at 31 December 2021. The Group was not able to enter any new business with the supplier before 31 December 2021 and the Remaining Refund of RMB12,100,000 has not been received by the Group by the due date. The Group has fully impaired the balances of 2nd Refund and the Remaining Refund amounted to RMB19,100,000 during the year ended 31 December 2021 (the "**Full Impairment**"). There was no further business development between the Group and the supplier and the aforesaid balances have not been repaid up to the date of approval of these consolidated financial statements.

Due to the lack of sufficient appropriate audit evidence, we were unable to carry out the audit procedures necessary to obtain adequate assurance as to whether the Full Impairment should be recognised during the year ended 31 December 2021 or the year ended 31 December 2022.

Because of the possible effects of this matter on the comparability of the current year's and the corresponding figures, our audit opinion on the consolidated financial statements for the year ended 31 December 2023 is therefore qualified.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which states that the Group incurred loss attributable to owners of the Company of approximately HK$9,773,000 for the year ended 31 December 2023 and as at 31 December 2023, the Group had net liabilities of approximately HK$10,769,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal activity of the Company is investment holding. For the year ended 31 December 2023 (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.

	2023	2022
	HK$'000	*HK$'000*
Revenue from		
— private sector project	**32,294**	48,601
— public sector project	**35,742**	20,776
	68,036	69,377

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 and Hong Kong.

FINANCIAL REVIEW

Revenue

Revenue decreased by approximately HK$10.9 million or 9.2% from approximately HK$118.5 million for FY2022 to approximately HK$107.6 million for the Reporting Period. The analysis of revenue was shown as follows:

	2023	2022
	HK$'000	*HK$'000*
Revenue from		
— Concrete demolition services	**68,036**	69,377
— Prefabricated construction	**39,570**	49,156
	107,606	118,533

Concrete demolition services

For the Reporting Period, revenue attributable to concrete demolition services was approximately HK$68.0 million, representing a decrease of approximately HK$1.4 million or 2.0% as compared with approximately HK$69.4 million for FY2022. The decrease was primarily due to a decrease of HK$16.3 million in revenue from private sector projects, but offset by an increase of HK$14.9 million in revenue from public sector projects.

Prefabricated construction

For the Reporting Period, revenue attributable to prefabricated construction was approximately HK$39.6 million, representing an decrease of approximately HK$9.6 million or 19.5% as compared with approximately HK$49.2 million for FY2022, primarily due to a slow recovery of the property sector in China.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately HK$1.7 million or 4.8% from approximately HK$35.4 million for FY2022 to approximately HK$33.7 million for the Reporting Period.

Gross profit margin increased from 29.9% for FY2022 to 31.4% for the Reporting Period. The increase was primarily due to an increase by 1.8 percentage points in gross profit margin attributable to concrete demolition services from 32.0% for FY2022 to 33.8% for the Reporting Period.

Other Income and Other Gains, Net

Other income and other gains, net, decreased by approximately HK$3.5 million from approximately HK$8.5 million for FY2022 to approximately HK$5.0 million for the Reporting Period. The decrease was primarily due to the combined effect of (i) a decrease in a gain of HK$5.8 million in FY2022 on reversal of impairment loss in respect of the recovery of certain long outstanding other receivable that had been fully impaired in FY2019; and offset by (ii) a decrease in a loss of HK$1.2 million on deregistration of subsidiaries which had ceased their businesses in trading of clean coal in Inner Mongolia.

Impairment Losses on Trade Receivables, net

Impairment losses on trade receivables, net, decreased by HK$0.7 million from approximately HK$4.6 million for FY2022 to approximately HK$3.9 million for the Reporting Period. The impairment loss on trade receivable, net, was assessed based on the expected credit loss valuation model performed by an independent qualified valuer.

Administrative and Other Operating Expenses

Administrative and other operating expenses increased by approximately HK$0.8 million from approximately HK$35.9 million for FY2022 to approximately HK$36.7 million for the Reporting Period. Such increase was primarily due to an increase of approximately HK$1.1 million in staff costs for the Reporting Period.

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$9.8 million for the Reporting Period, representing a decrease of approximately HK$0.5 million as compared to a loss of HK$10.3 million attributable to owners of the Company for FY2022.

Liquidity, Financial Resources and Capital Structure

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

The gearing ratio of the Group as at 31 December 2023 and 2022 (defined as total borrowings including interest bearing and non-interest bearing, divided by the Group's total equity) is not applicable due to negative total equity of the Group.

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 2023 and 2022, there were no material investment held by the Group.

Debts and Charge on Assets

As at 31 December 2023, the total borrowings of the Group, including unsecured fixed bonds and other loan, amounted to approximately HK$76.2 million (2022: approximately HK$76.2 million). The annual interest rates of the borrowings during the Reporting Period ranged from 4.6% to 12.0% per annum (2022: 4.2% to 12.0% per annum). All of the borrowings are unsecured and denominated in Hong Kong dollars 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$29.3 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 2023 (2022: Nil).

Future Plans for Material Investment or Capital Assets

Save as disclosed in the announcement, the Group does not have any other specific plan for material investments or capital assets as at 31 December 2023.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2023 (2022: Nil).

Employee and Remuneration Policies

As at 31 December 2023, the Group employed 96 staff (2022: 98 staff). Total employee costs for the Reporting Period including directors' emoluments, amounted to approximately HK$42.1 million (2022: approximately HK$41.0 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 (2022: Nil).

BUSINESS REVIEW AND PROSPECT

Hong Kong is facing high external uncertainty amid continuing geopolitical tension between the United States and China and high interest rates. With the sluggish property market and weak profit expectations of corporations, the lack of investors' confidence weighed on the recovery of the economy. Hong Kong property developers have been becoming cautious in acquiring land and scaling back the construction project launches as demand dries up due to a mix of high interest rate and a global economic slowdown. For FY2023, the Group's revenue attributable to concrete demolition services business dropped by 1.9%. The Company believes that the difficult external environment will continue to pose pressures on Hong Kong's economy and the road to recovery will remain challenges in forthcoming years.

China is being whipsawed by a set of external economic headwinds and domestic growth uncertainties. China experienced a bumpy recovery in 2023 due to geopolitical tensions, sluggish domestic demand and a global economic slowdown. China's property sector has been going through a liquidity crisis. Many property developers are heavily exposed to the ongoing debt crisis and debt repayment remain one of the biggest challenges for property developers. For FY2023, revenue attributable to the Group's prefabricated construction business dropped by 19.5%. Despite the recent support measures from China government, the property markets still face strong headwinds from weak growth fundamentals, including lack of investment inflow and oversupply problems. Many property developers in China were under financial distress and decided to postpone construction projects due to liquidity problems. However, at the start of 2024, the property market in China showed sign of improvement and the market sentiment begins to turn. The Group expects the property market will be underpinned by a gradual improvement in demand in the overall recovery process.

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 would actively explore business opportunities to expand the prefabricated construction business in the Belt and Road Initiative as a key area for overseas expansion. 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Corporate Governance Code (the "**Code**") in Appendix C1 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, save as disclosed below, the Company had complied with the applicable code provisions of the Code with the exception of the deviations as explained:

C.1.8 Appropriate insurance cover in respect of legal action against the Directors

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.

F.2.2 Attendance of Chairman in Annual General Meeting

The Code provision F.2.2 stipulates that the chairman of the Board should attend the annual general meeting. The former chairman of the Company, Mr. Liu Yingjie, who resigned on 22 March 2024 was unable to attend the annual general meeting held on 8 June 2023 due to other business commitments. The Board elected an independent non-executive Director, Mr. Li Kar Fai, Peter, 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.

AUDIT COMMITTEE

The audit committee of the Company had reviewed the consolidated financial statements of the Group for the year ended 31 December 2023, including the accounting principles and practices adopted by the Group and discussed with auditors in relation to the internal controls and financial reporting matters of the Group.

SCOPE OF WORK OF THE AUDITOR

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 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, AOGB CPA Limited ("**AOGB**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023. The work performed by AOGB 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 AOGB on the preliminary results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.gf-holdings.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2023 containing all the information required under the GEM Listing Rules will be posted on the above websites and dispatched to the Shareholders (if requested) in due course.

By order of the Board
Glory Flame Holdings Limited
Zhong Zhiwei
Executive Director

Hong Kong, 31 March 2024

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

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

This announcement will remain on the "Latest Company Announcements" page of the Stock Exchange's website at www.hkexnews.hk for 7 days from the date of its posting. This announcement will also be posted on the Company's website at www.gf-holdings.com.