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GLORY FLAME HOLDINGS LIMITED
朝威控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8059)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2021

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

FINANCIAL HIGHLIGHT

For the three months ended 31 March 2021, the operating results of the Group were as follows:

- Revenue amounted to approximately HK$19.9 million (2020: approximately HK$14.3 million), representing an increase of approximately 39.2% from the corresponding period of last year;
- Net loss amounted to approximately HK$5.5 million, representing a decrease of HK$2.1 million as compared to a net loss of approximately HK$7.6 million for the corresponding period of last year;
- Basic and diluted loss per share based on weighted average number of ordinary shares was approximately HK0.56 cents (2020: Basic and diluted loss per share of approximately HK0.69 cents);
- The Board does not recommend the payment of a dividend to owners of the Company for the three months ended 31 March 2021 (2020: Nil).

FIRST QUARTERLY RESULTS

The board (the "**Board**") of Directors is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the three months ended 31 March 2021 (the "**Reporting Period**"), together with the unaudited comparative figures for the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2021

		Three months ended 31 March	
		2021	2020
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	3	**19,905**	14,287
Cost of sales		**(15,389)**	(10,857)
Gross profit		**4,516**	3,430
Other income and net gains	4	**363**	194
Administrative and other operating expenses		**(8,930)**	(10,166)
Operating loss	5	**(4,051)**	(6,542)
Finance costs		**(1,451)**	(1,044)
Loss before income tax		**(5,502)**	(7,586)
Income tax expense	6	**(23)**	—
Loss for the period		**(5,525)**	(7,586)
Other comprehensive loss:			
Item that may be reclassified to profit or loss		**(138)**	(416)
Total comprehensive loss for the period		**(5,663)**	(8,002)
(Loss)/Income for the period attributable to:			
Owners of the Company		**(5,698)**	(6,985)
Non-controlling interests		**173**	(601)
		(5,525)	(7,586)

	Notes	Three months ended 31 March	
		2021	2020
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		**(5,692)**	(7,844)
Non-controlling interests		**29**	(158)
Total comprehensive loss for the period		**(5,663)**	(8,002)
		HK cents	*HK cents*
Basic and diluted loss per share	8	**(0.56)**	(0.69)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2021

	Attributable to owners of the Company									
	Combined/ Share capital	Share premium	Merger reserves	Share-based payment	Foreign currency translation reserve	Other reserve	Accumulated losses	Total equity	Non-controlling interest	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2021	**10,106**	**268,953**	**15,800**	**2,480**	**(2,591)**	**(1,672)**	**(247,842)**	**45,234**	**(5,382)**	**39,852**
Total comprehensive income/(loss) for the period	**—**	**—**	**—**	**—**	**6**	**—**	**(5,698)**	**(5,692)**	**29**	**(5,663)**
Balance at 31 March 2021 (unaudited)	**10,106**	**268,953**	**15,800**	**2,480**	**(2,585)**	**(1,672)**	**(253,540)**	**39,542**	**(5,353)**	**34,189**
Balance at 1 January 2020	10,106	268,953	15,800	4,764	(3,913)	(1,672)	(234,876)	59,162	(4,323)	54,839
Total comprehensive loss for the period	—	—	—	—	(859)	—	(6,985)	(7,844)	(158)	(8,002)
Balance at 31 March 2020 (unaudited)	10,106	268,953	15,800	4,764	(4,772)	(1,672)	(241,861)	51,318	(4,481)	46,837

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2021

1. GENERAL INFORMATION

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

The address of the Company's registered office is Windward 3, Regatta Office Park, P.O. Box 1350, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The address of the Company's principal place of business in Hong Kong is Suite 821, 8th Floor, Ocean Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (collectively referred as to the "**Group**") are engaged in provision of concrete demolition services and manufacturing and trading of prefabricated construction components.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months ended 31 March 2021 have been prepared by the Directors in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the GEM Listing Rules. HKFRSs include Hong Kong Accounting Standards and interpretations. Intra-group balances and transactions, if any, have been fully and properly eliminated. The accounting policies and basis of preparation adopted in the preparation of the financial statements for the three months ended 31 March 2021 are consistent with those adopted in the annual financial statements of the Company for the year ended 31 December 2020.

The financial statements for the three months ended 31 March 2021 have not been audited by the Company's independent auditors, but have been reviewed by the Company's audit committee.

The financial statements for the three months ended 31 March 2021 are presented in Hong Kong dollars ("**HK$**"), which is the same functional currency of the Company.

3. REVENUE

Revenue recognised during the Reporting Period is as follows:

	Three months ended 31 March	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Provision of concrete demolition services	**10,791**	13,907
Manufacturing and trading of prefabricated construction components	**9,114**	380
	19,905	14,287

4. OTHER INCOME AND NET GAINS

	Three months ended 31 March	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income	**2**	1
Others, net	**361**	193
	363	194

5. OPERATING LOSS

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

	Three months ended 31 March	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Staff cost, including directors' remuneration	**8,406**	7,869
Depreciation of property, plant and equipment	**1,097**	1,699
Depreciation of right-of-use assets	**897**	1,534
Impairment loss on trade receivables	**202**	29
Reversal of impairment loss on trade receivables	**(158)**	(51)

6. INCOME TAX EXPENSE

	Three months ended 31 March	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Hong Kong profits tax	**—**	—
PRC Enterprise income tax	**23**	—
	23	—

No provision for Hong Kong Profit Tax has been made as the Group does not generate any assessable profit for the Reporting Period (2020: 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.

7. DIVIDEND

The Board does not recommend the payment of a dividend to owners of the Company for the three months ended 31 March 2021 (2020: Nil).

8. LOSS PER SHARE

	Three months ended 31 March	
	2021	2020
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company *(HK$'000)*	**(5,698)**	(6,985)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share *(in thousand)*	**1,010,605**	1,010,605

The calculation of the basic loss per share attributable to owners of the Company was based on (i) the 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.

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue during the three months ended 31 March 2021 and 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

(a) Concrete demolition services

Concrete demolition is one aspect of the construction industry in Hong Kong. The Group's concrete demolition services were mainly concerned with the removal of pieces or section of concrete from concrete structures by applying a variety of methods, such as core drilling, sawing, bursting and crushing. Concrete demolition services are usually performed by subcontractors in (i) general building works, especially for alteration and redevelopment projects; and (ii) civil engineering works. Concrete demolition work can be applied in various situations, such as the construction of underground utilities, creation of openings for elevator, door, and window installation, redevelopment of buildings, roads, tunnels and underground facilities, removal of concrete during building construction and the preparation of road surfaces.

The customers of the Group's concrete demolition services mainly include main contractors and subcontractors of different types of construction and civil engineering projects in Hong Kong. Such customers can generally be categorized into public sector projects' customers and private sector projects' customers. Public sector projects refer to projects of which the main contractors are employed by Government departments or statutory bodies in Hong Kong, while private sector projects refer to projects that are not public sector projects.

	Three months ended 31 March	
	2021	2020
	HK$'000	*HK$'000*
Revenue from		
— private sector project	**10,620**	13,361
— public sector project	**171**	546
	10,791	13,907

(b) Prefabricated Construction

Prefabricated Construction is a new kind of architecture with the construction process that is splitting the traditional building products into precast reinforced concrete member produced in the factory and transported to the construction site for assembling into a whole building. Precast concrete contributes to green building practices as it can be very durable and energy-efficient. Prefabricated Construction also reduces construction waste and debris on construction site as the precast concrete components are factory-made and employed by exact-batching technologies.

Prefabricated Constructions are becoming more popular in many developing countries, due to compressed project timelines, more affordable pricing, greener construction technology and the ability to service remote locations. Growth in urbanization and industrialization drive the demand in affordable urban housing that was built in a shorter construction time. The Group is looking at this opportunity to develop the overseas market, particularly the countries along the Belt and Road for prefabricated construction business. The Group has paired up with a reputable construction company as a long term cooperative partner in a bid to gain a foothold in the oversea market. However, most of these countries are still in the grip of Covid-19 pandemic. Most projects under discussion for the Group have inevitable been deferred and even terminated. The Group believes that it may take more time to get the market diversification plan off the ground.

FINANCIAL REVIEW

Revenue

Revenue increased by approximately HK$5.6 million or 39.2% from approximately HK$14.3 million for the period ended 31 March 2020 (the "**PE2020**") to approximately HK$19.9 million for the Reporting Period. An analysis of revenue is as follows:

Revenue by nature

	For the three months ended 31 March	
	2021	2020
	HK$'000	*HK$'000*
Revenue from		
— Concrete demolition services	**10,791**	13,907
— Prefabricated construction	**9,114**	380
	19,905	14,287

Concrete demolition services

Revenue attributable to concrete demolition services decreased by HK$3.1 million from HK$13.9 million for PE2020 to HK$10.8 million for the Reporting Period. Such decrease was primarily due to the delays and disruption to the regular progress of the works on construction projects in Hong Kong caused by Covid-19 pandemic.

Hong Kong economy showed a sign of bottoming out in the first quarter of 2021 but it is still of highly uncertainty in the strength of the recovery. Hong Kong community has still put on high alert on any potential another wave of the outbreak of disease. Concern has been heightened by the discovery of Covid-19 variant strain cases recently. Given that relatively low rate of vaccination up to date, the Group would not be very optimistic that the vaccine roll-outs could allow the operations of construction work return closer to normal.

Prefabricated construction

Revenue attributable to prefabricated construction increased by HK$8.7 million from HK$0.4 million for PE2020 to HK$9.1 million for the Reporting Period. Such increase was in large part due to the very low comparison base resulting from imposing a lockdown measures in China in last year's first quarter.

China economy has returned back to an upward trajectory and re-gained growth momentum. The Group believes that the prefabricated construction business has already reached back the pre-coronavirus level. However, there are no very strong supportive on policy stances from the China authorities to make a room for further acceleration on growth for the construction industry. The foundation of China economic recovery seems still not solid as there are rising domestic financial risks and external uncertainties including growing tensions with other western countries. The Group has to maintain a high degree of vigilance against any unpredictable development and event that could adversely affect the Group's business.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately HK$1.1 million or 32.4% from approximately HK$3.4 million for PE2020 to approximately HK$4.5 million for the Reporting Period.

Gross profit margin decreased from 24.0% for PE2020 to 22.7% for the Reporting Period.

Administrative and Other Operating Expenses

General and administrative expenses decreased by approximately HK$1.3 million from approximately HK$10.2 million for PE2020 to approximately HK$8.9 million for the Reporting Period. The decrease was primarily due to a decrease in operating expenses in Hong Kong and consultancy fee.

Loss Attributable to Owners of the Company

As a result of the foregoing, net loss attributable to the owners of the Company decreased by approximately HK$1.3 million from approximately HK$7.0 million for PE2020 to approximately HK$5.7 million for the Reporting Period.

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 31 March 2021, 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 31 March 2021, none of the directors or the chief executive nor their associates had any short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

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

Save as disclosed below, as at 31 March 2021 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.

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

COMPETING INTERESTS

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

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

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

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

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 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 a dividend to owners of the Company for the three months ended 31 March 2021 (2020: nil).

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme on 2 August 2014. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

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

AUDIT COMMITTEE

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

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

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

Hong Kong, 13 May 2021

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