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GLORY FLAME HOLDINGS LIMITED

朝威控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8059)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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 six months ended 30 June 2022, the operating results of the Group were as follows:

- Revenue amounted to approximately HK\$46.8 million (six months ended 30 June 2021: approximately HK\$52.0 million), representing a decrease of approximately 10.0% from the corresponding period of last year.
- Net loss amounted to approximately HK\$4.2 million, representing a decrease of HK\$0.5 million as compared to net loss of approximately HK\$4.7 million for the corresponding period of last year.
- Basic and diluted loss per share based on weighted average number of ordinary shares was approximately HK0.39 cents (six months ended 30 June 2021: basic and diluted loss per share of approximately HK0.54 cents).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2022 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2021, 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	
		2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	4	30,390	32,126	46,815	52,031
Cost of sales		(21,036)	(21,229)	(33,588)	(36,616)
Gross profit		9,354	10,897	13,227	15,415
Other income and net gains		1,895	241	2,738	602
Administrative and other operating expenses		(8,960)	(8,888)	(17,539)	(17,818)
Operating profit/(loss)	6	2,289	2,250	(1,574)	(1,801)
Finance costs		(1,529)	(1,452)	(3,071)	(2,903)
Profit/(loss) before income tax		760	798	(4,645)	(4,704)
Income tax expenses	7	489	—	489	(23)
Profit/(loss) for the period		1,249	798	(4,156)	(4,727)

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2022	2021	2022	2021
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive (loss)/profit: Items that may be reclassified to profit or loss	(1,041)	313	(902)	175
Total comprehensive profit/(loss) for the period	208	1,111	(5,058)	(4,552)
Profit/(Loss) for the period attributable to:				
Owners of the Company	975	283	(3,986)	(5,415)
Non-controlling interests	274	515	(170)	688
	1,249	798	(4,156)	(4,727)
Total comprehensive (loss)/income for period attributable to:				
Owners of the Company	(624)	756	(4,950)	(4,936)
Non-controlling interests	832	355	(108)	384
Total comprehensive profit/(loss) for the period	208	1,111	(5,058)	(4,552)
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted profit/ (loss) per share	9 0.10	0.03	(0.39)	(0.54)

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

		30 June 2022	31 December 2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		Unaudited	Audited
Non-current assets			
Property, plant and equipment		12,740	14,311
Right-of-use assets		13,132	10,717
Goodwill		938	938
		<u>26,810</u>	<u>25,966</u>
Current assets			
Inventories		3,070	3,140
Trade and other receivables	<i>11</i>	58,732	50,546
Bank and cash balances		34,087	37,127
		<u>95,889</u>	<u>90,813</u>
Current liabilities			
Trade and other payables	<i>12</i>	39,542	36,524
Borrowings	<i>13</i>	67,250	45,800
Lease liabilities		3,716	3,425
Tax payable		2,975	471
		<u>113,483</u>	<u>86,220</u>
Net current (liabilities)/assets		<u>(17,594)</u>	<u>4,593</u>
Total assets less current liabilities		<u>9,216</u>	<u>30,559</u>
Non-current liabilities			
Borrowings	<i>13</i>	—	18,450
Lease liabilities		10,506	8,341
Deferred tax liabilities		369	369
		<u>10,875</u>	<u>27,160</u>
NET (LIABILITIES)/ASSETS		<u><u>(1,659)</u></u>	<u><u>3,399</u></u>

		30 June 2022	31 December 2021
	<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		(5,862)	(912)
		<hr/>	<hr/>
Equity attributable to owners of the Company		4,244	9,194
Non-controlling interests		(5,903)	(5,795)
		<hr/>	<hr/>
TOTAL EQUITY		(1,659)	3,399
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2022

	Attributable to owners of the Company										
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserves <i>HK\$'000</i>	Share- based payment <i>HK\$'000</i>	Foreign currency			Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interest <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
					translation reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>				
Balance at 1 January 2022	10,106	268,953	15,800	2,480	(1,785)	(1,672)	(284,688)	9,194	(5,795)	3,399	
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>	
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	
Profit/(loss) and total comprehensive loss for the period	—	—	—	—	479	—	(5,415)	(4,936)	384	(4,552)	
Balance at 30 June 2021 (unaudited)	<u>10,106</u>	<u>268,953</u>	<u>15,800</u>	<u>2,480</u>	<u>(2,112)</u>	<u>(1,672)</u>	<u>(253,257)</u>	<u>40,298</u>	<u>(4,998)</u>	<u>35,300</u>	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended	
	30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating activities		
Cash (used in)/generated from operations	(3,598)	6,549
Income tax refund	2,993	1,974
Lease interest paid	(293)	(293)
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(898)	8,230
	<hr/>	<hr/>
Investing activities		
Payment for purchase of property, plant and equipment	(955)	(322)
Other cash flow arising from investing activities	1	3
	<hr/>	<hr/>
Net cash outflow from investing activities	(954)	(319)
	<hr/>	<hr/>
Financing activities		
Advance from a director	3,000	—
Other cash flow arising from financing activities	(3,609)	(2,992)
	<hr/>	<hr/>
Net cash outflow from financing activities	(609)	(2,992)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(2,461)	4,919
Effect of foreign exchange rate changes	(579)	67
Cash and cash equivalents at 1 January	37,127	37,250
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	34,087	42,236
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents:		
— Cash and bank balances	34,087	42,236
	<hr/> <hr/>	<hr/> <hr/>

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 2022 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 2022 are consistent with those adopted in the annual financial statements of the Company for the year ended 31 December 2021.

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 2022, the Group had net current liabilities of HK\$17.6 million (As at 31 December 2021: net current assets of HK\$4.6 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\$34.1 million were held by the Group;
- Bond payables of HK\$5.0 million and HK\$0.8 million are maturing in July 2022 and August 2022, 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 2023 and August 2023, respectively.

- Other loan of HK\$40.0 million is maturing in November 2022. The Company will actively negotiate and discuss with the lender to secure the renewals of the borrowings when it falls due;
- The loans of HK\$21.5 million due to a director are maturing in March 2023. The Director has already expressed her willingness to further extend the repayment dates of these loans when they fall due.
- After the date of reporting, the Group has obtained a banking facility of RMB1.0 million from a bank to meet our working capital needs in the PRC operations.
- 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 2022 have not been audited by the Company's independent auditors, but have been reviewed by the Company's audit committee.

The financial statements for the six months ended 30 June 2022 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 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to IFRSs 2018-2020

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 2021.

4. REVENUE AND SEGMENT INFORMATION

The Group's revenue is analysed as follows:

	Six months ended	
	30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Provision of concrete demolition services	34,158	29,052
Manufacturing and trading of prefabricated construction components	12,657	22,979
	<u>46,815</u>	<u>52,031</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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
At a point in time	12,657	22,979
Over time	34,158	29,052
	<u>46,815</u>	<u>52,031</u>
	<u>46,815</u>	<u>52,031</u>

Geographical information:

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

	Six months ended	
	30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Hong Kong	34,158	29,052
The People's Republic of China (the "PRC")	12,657	22,979
	<u>46,815</u>	<u>52,031</u>
	<u>46,815</u>	<u>52,031</u>
	At 30 June	At 31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Hong Kong	12,001	11,459
The PRC	14,809	14,507
	<u>26,810</u>	<u>25,966</u>
	<u>26,810</u>	<u>25,966</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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A [#]	6,817	—
Customer B [#]	5,736	—
Customer C [*]	—	5,917
Customer D [*]	—	5,451
	<u> </u>	<u> </u>

[#] Customer A and B did not contribute over 10% of the Group's revenue for the six months ended 30 June 2021, the figures shown was for comparative disclosure purpose only.

^{*} Customer C and D 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 2021.

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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Staff cost, including directors' remuneration	16,303	16,070
Depreciation of property, plant and equipment	2,158	2,188
Depreciation of right-of-use assets	2,263	1,796
Impairment loss on trade receivables	566	284
Reversal of impairment loss on trade receivables	(12)	(164)
Reversal of impairment loss on other receivables	(1,671)	—
Government grant income	(488)	—
	<u>16,303</u>	<u>16,070</u>

7. INCOME TAX EXPENSE

	Six months ended	
	30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Hong Kong profits tax		
— Provision for the year	—	—
— Over-provision in prior years	(489)	—
	<u>(489)</u>	<u>—</u>
PRC Enterprise income tax	—	23
	<u>(489)</u>	<u>23</u>

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

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

8. INTERIM DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

9. PROFIT/(LOSS) PER SHARE

(a) Basic

The calculations of basic profit/(loss) per share for the six months ended 30 June 2022 and 2021 are based on the followings:

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss):				
Profit/(loss) for the period attributable to the owners of the Company (HK\$'000)	<u>975</u>	<u>283</u>	<u>(3,986)</u>	<u>(5,415)</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 profit/(loss) per share is equal to the basic profit/(loss) per share as there were no dilutive potential ordinary shares in issue during the period ended 30 June 2022 and 2021.

10. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired property, plant and equipment of HK\$955,000 (Six months ended 30 June 2021: HK\$322,000).

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Unaudited)
Trade receivables	55,210	46,088
Less: allowance for impairment of trade receivables	<u>(2,540)</u>	<u>(2,002)</u>
Trade receivables, net	<u>52,670</u>	<u>44,086</u>
Retention receivables	1,639	1,887
Less: allowance for impairment of retention receivables	<u>(9)</u>	<u>(28)</u>
Retention receivables, net	<u>1,630</u>	<u>1,859</u>
Prepayments and trade deposits	26,072	27,919
Less: allowance for impairment of prepayments and trade deposits	<u>(26,002)</u>	<u>(26,215)</u>
	<u>70</u>	<u>1,704</u>
Other deposits and receivables	<u>4,362</u>	<u>2,897</u>
	<u>58,732</u>	<u>50,546</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 2022 <i>HK\$'000</i> (Unaudited)	At 31 December 2021 <i>HK\$'000</i> (Unaudited)
0-30 days	27,033	8,120
31-60 days	2,418	6,199
61-90 days	2,099	6,137
91-365 days	12,929	18,451
Over 365 days	8,191	5,179
	<u>52,670</u>	<u>44,086</u>

12. TRADE AND OTHER PAYABLES

	At 30 June 2022 <i>HK\$'000</i> (Unaudited)	At 31 December 2021 <i>HK\$'000</i> (Unaudited)
Trade payables	20,841	12,654
Accruals	4,871	4,559
Other payables	13,830	19,311
	<u>39,542</u>	<u>36,524</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 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Unaudited)
0-30 days	6,165	3,502
31-60 days	2,732	2,255
61-90 days	1,482	3,013
Over 90	10,462	3,884
	<u>20,841</u>	<u>12,654</u>

13. BORROWINGS

	<i>Note</i>	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 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>	21,450	18,450
		<u>67,250</u>	<u>64,250</u>

Borrowings were repayable as follows:

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Within 1 year	67,250	45,800
After 1 year but within 2 years	—	18,450
	<u>67,250</u>	<u>64,250</u>

- (a) The other loan of HK\$40,000,000 was unsecured, interest bearing at 6.75% per annum and repayable on 25 November 2022.
- (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 2022 to August 2022.
- (c) The loans from a director were interest-bearing at 10% per annum, unsecured and repayable on 31 March 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 2021 and 30 June 2022	2,000,000,000	20,000
	<u><u>2,000,000,000</u></u>	<u><u>20,000</u></u>
	Number of ordinary shares	Amount <i>HK\$'000</i>
Issued and fully paid:		
Ordinary shares at 31 December 2021 and 30 June 2022	1,010,605,000	10,106
	<u><u>1,010,605,000</u></u>	<u><u>10,106</u></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 2022 (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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from		
— private sector project	22,887	23,839
— public sector project	11,271	5,213
	<hr/>	<hr/>
	34,158	29,052
	<hr/> <hr/>	<hr/> <hr/>

Prefabricated Construction

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

Prefabricated Constructions are becoming more popular in many developing countries, due to compressed project timelines, more affordable pricing, greener construction technology and the ability to service remote locations. Growth in urbanization and industrialization drive the demand in affordable urban housing that was built in a shorter construction time. The Group established its own production facilities and construction project team in Huizhou, the PRC for production, research and development of precast concrete components and glass fiber reinforced cement components, product installation guidance and sales which mainly serviced the construction projects in Greater Bay area of China. The Group was also looking at this opportunity to develop the overseas market, particularly the countries along the Belt and Road for prefabricated construction business. However, most of these countries were still in the grip of Covid-19 pandemic. The Group believes that it may take more time to materialize the market diversification plan.

PROSPECT

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

FINANCIAL REVIEW

Revenue

Revenue decreased by approximately HK\$5.2 million or 10.0% from approximately HK\$52.0 million for the six months ended 30 June 2021 (“HY2021”) to approximately HK\$46.8 million for the Reporting Period. An analysis of revenue was shown as follows:

	For the six months ended	
	30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from		
— Concrete demolition services	34,158	29,052
— Prefabricated construction	12,657	22,979
	<hr/>	<hr/>
	46,815	52,031
	<hr/> <hr/>	<hr/> <hr/>

Concrete demolition services

Revenue attributable to concrete demolition services increased by HK\$5.1 million from HK\$29.1 million for HY2021 to HK\$34.2 million for the Reporting Period. Such increase was primarily due to an increase of HK\$6.1 million in contract revenue from public sector projects, resulting from a rebound of construction demand and the backlog of the work affected by Covid-19 pandemic in previous years.

Prefabricated construction

Revenue attributable to prefabricated construction decreased by HK\$10.3 million from HK\$23.0 million for HY2021 to HK\$12.7 million for the Reporting Period. Such decrease was primarily due to delays of the projects and disruption to the production of the Group resulting from the outbreak of Covid-19, which led to strict lockdowns in some regions of Guangdong Province, China, during the first quarter of 2022.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately HK\$2.2 million or 14.3% from approximately HK\$15.4 million for HY2021 to approximately HK\$13.2 million for the Reporting Period.

Gross profit margin decreased from 29.6% for HY2021 to 28.3% for the Reporting Period.

Administrative and Other Operating Expenses

General and Administrative expenses decreased by approximately HK\$0.3 million from approximately HK\$17.8 million for HY2021 to approximately HK\$17.5 million for the Reporting Period. The decrease was primarily due to a decrease of approximately HK\$0.8 million in transportation cost resulting from a decrease in sales of prefabricated construction components.

Loss Attributable to Owners of the Company

As a result of the foregoing and the recognition of reversal of impairment loss of HK\$1.7 million upon recovery of other receivables which was impaired in prior years, net loss attributable to the owners of the Company decreased by approximately HK\$1.4 million from approximately HK\$5.4 million for HY2021 to approximately HK\$4.0 million for the Reporting Period.

Liquidity, Financial Resources, and Capital Structure

As at 30 June 2022, the Group had bank and cash balances of approximately HK\$34.1 million (31 December 2021: approximately HK\$37.1 million).

As at 30 June 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 (As at 31 December 2021: approximately 18.9).

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 2022, the total borrowings of the Group, including unsecured fixed bonds and other loan, amounted to approximately HK\$67.3 million (31 December 2021: approximately HK\$64.3 million). The annual interest rates of the borrowings ranged from 6.75% to 12.0% per annum. All of the borrowings are unsecured and denominated in Hong Kong dollars. All the borrowings were repayable within one year.

Employee and Remuneration Policies

As at 30 June 2022, the Group employed 110 staff. The total staff costs (including directors' emoluments) for the Reporting Period amounted to approximately HK\$16.3 million (HY2021: approximately HK\$16.1 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 2022 (31 December 2021: 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 2022, interests or short positions of the Directors, chief executives of the Company in the shares (the “Shares”), underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long Position in the Shares and underlying Shares

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

(ii) Interests in debentures of the Company

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

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

(iii) Short positions

As at 30 June 2022, 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 2022 and so far as is known to the Directors, no person other than certain Directors or chief executive of the Company had any interests or short positions in the Shares and underlying shares of the Company which were required to be recorded in the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Name 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 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.

The Code provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting. The chairman of the Company, Mr. Liu Yingjie, was unable to attend the annual general meeting held on 8 June 2022 due to the cross border controls to remain in place for Hong Kong. The Board elected Mr. Li Kai 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 2022 (2021: 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 2022	Granted during the Reporting Period	Lapsed during the Reporting Period	As at 30 June 2022		
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 report, 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 report 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 2022

As at the date of this report, 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.