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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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*This report, 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 report 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 report misleading.*

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2020, the operating results of the Group were as follows:

- Revenue amounted to approximately HK$80.9 million (2019: approximately HK$93.3 million), representing a decrease of approximately 13.3% from last year;

- Net loss for the year ended 31 December 2020 amounted to approximately HK$16.2 million (2019: net loss of approximately HK$48.3 million);

- Basic and diluted loss per share for the year ended 31 December 2020 based on weighted average number of ordinary shares was approximately HK1.51 cents (2019: Basic and diluted loss per share of approximately HK4.39 cents);

- The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 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 2020

	Notes	**2020** ***HK$'000***	2019 *HK$'000*
Revenue	*3*	**80,876**	93,341
Cost of sales		**(57,531)**	(66,237)
Gross profit		**23,345**	27,104
Interest revenue		**10**	63
Other income and other gains or losses, net	*5*	**5,363**	(1,412)
Impairment losses on various assets		**(674)**	(21,789)
Administrative and other operating expenses		**(38,890)**	(47,826)
Operating loss		**(10,846)**	(43,860)
Finance costs		**(5,156)**	(4,026)
Loss before income tax		**(16,002)**	(47,886)
Income tax expenses	*7*	**(185)**	(400)
Loss for the year	*8*	**(16,187)**	(48,286)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**1,170**	(992)
Foreign currency translation reserve classified to profit or loss upon disposal of subsidiaries		**(1)**	–
Total other comprehensive income/(loss) for the year		**1,169**	(992)
Total comprehensive loss for the year		**(15,018)**	(49,278)

	Note	2020 HK$'000	2019 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(15,250)**	(44,411)
Non-controlling interests		**(937)**	(3,875)
		(16,187)	(48,286)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(13,927)**	(45,035)
Non-controlling interests		**(1,091)**	(4,243)
		(15,018)	(49,278)
Loss per share	*10*		
Basic (HK cents per share)		**(1.51)**	(4.39)
Diluted (HK cents per share)		**(1.51)**	(4.39)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**18,211**	15,490
Right-of-use assets		**11,290**	12,753
Goodwill		**938**	938
		30,439	29,181
Current assets			
Inventories		**4,547**	2,359
Trade and other receivables	*11*	**71,809**	76,706
Bank and cash balances	*12*	**37,250**	30,492
		113,606	109,557
Current liabilities			
Trade and other payables	*13*	**26,956**	13,640
Borrowings		**64,250**	45,800
Lease liabilities		**3,027**	4,607
Amount due to a director		**–**	10,450
Tax liabilities		**268**	156
		94,501	74,653
Net current assets		**19,105**	34,904
Total assets less current liabilities		**49,544**	64,085
Non-current liabilities			
Lease liabilities		**9,039**	8,813
Deferred tax liabilities		**653**	433
		9,692	9,246
NET ASSETS		**39,852**	54,839

	Note	**2020**	2019
		HK$'000	*HK$'000*
Capital and reserves			
Share capital	*14*	**10,106**	10,106
Reserves		**35,128**	49,056
Equity attributable to owners of the Company		**45,234**	59,162
Non-controlling interests		**(5,382)**	(4,323)
TOTAL EQUITY		**39,852**	54,839

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 has been changed from Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands to Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands with effect from 16 December 2020. The address of the Company's principal place of business in Hong Kong has been changed from Suite 3513, 35th Floor, Tower 6, the Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong to Suite 821, 8th Floor, Ocean Centre, Harbour City, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong with effect from 24 August 2020. 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 (i) provision of construction service and building material supply, (ii) sales of agriculture-related products, and (iii) trading of clean coal and others.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

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

3. REVENUE

The Group's revenue is analysed as follows:

	2020	2019
	HK$'000	*HK$'000*
Provision of concrete demolition and construction engineering services	**57,947**	61,289
Manufacturing and trading of prefabricated precast construction	**22,929**	29,413
Trading of clean coal	**–**	1,055
Provision of insurance brokerage and consultancy services	**–**	1,584
	80,876	93,341

Disaggregation of revenue from contracts with customers:

Segment

		2020
	Construction	**Total**
	HK$'000	***HK$'000***
Timing of revenue recognition		
At a point in time	**22,929**	22,929
Over time	**57,947**	57,947
	80,876	80,876

Segments

				2019
	Construction	**Trading business**	**Financial services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Timing of revenue recognition				
At a point in time	29,413	1,055	1,584	32,052
Over time	61,289	–	–	61,289
	90,702	1,055	1,584	93,341

Construction service fee income

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, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract. 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.

Trading

The Group sells clean coal to the customers through its trading business. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer’s acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 45 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers 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.

4. SEGMENT INFORMATION

The Group has three (2019: four) reportable segments as follows:

Construction	Provision of concrete demolition and construction engineering services, prestressed high strength concrete piles; construction works, and manufacturing and trading of prefabricated precast construction
Agricultural equipment	Trading of Ecological LED Cultivation Cabinet System
Trading business	Trading of LED light sources for decoration and clean coal
Financial services	Provision of insurance brokerage and consultancy services

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 other loan, tax liabilities, deferred tax liabilities and other unallocated corporate liabilities.

The segment of financial services were ceased from operation during the year ended 31 December 2019.

The segment of agricultural equipment and trading business were ceased from operation during the year ended 31 December 2020.

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

	Construction *HK$'000*	**Agricultural equipment** *HK$'000*	**Trading business** *HK$'000*	**Total** *HK$'000*
Year ended 31 December 2020:				
Revenue from external customers	**80,876**	**—**	**—**	**80,876**
Segment profit/(loss)	**3,233**	**(9)**	**(2,262)**	**962**
Depreciation of property, plant and equipment	**3,666**	**—**	**1,801**	**5,467**
Depreciation of right-of-use assets	**2,193**	**—**	**—**	**2,193**
Impairment loss on trade receivables, net	**355**	**—**	**—**	**355**
Additions to segment non-current assets	**12,283**	**—**	**—**	**12,283**
At 31 December 2020:				
Segment assets	**99,500**	**89**	**3,933**	**103,522**
Segment liabilities	**29,223**	**—**	**2,225**	**31,448**

	Construction *HK$'000*	Agricultural equipment *HK$'000*	Trading business *HK$'000*	Financial services *HK$'000*	Total *HK$'000*
Year ended 31 December 2019:					
Revenue from external customers	90,702	—	1,055	1,584	93,341
Segment loss	(1,515)	(2,170)	(7,014)	(11,156)	(21,855)
Depreciation of property, plant and equipment	3,459	—	1,445	—	4,904
Depreciation of right-of-use assets	1,253	—	—	—	1,253
Impairment loss on trade receivables, net	508	1,142	3,509	—	5,159
Impairment loss on other receivables, net	—	73	—	10,663	10,736
Impairment loss on prepayments and trade deposits	4,505	—	—	—	4,505
Additions to segment non-current assets	6,660	—	—	—	6,660
At 31 December 2019:					
Segment assets	91,081	83	5,088	83	96,335
Segment liabilities	16,795	—	1,602	—	18,397

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

	2020	2019
	HK$'000	*HK$'000*
Profit or loss:		
Total profit or loss of reportable segments	**962**	(21,855)
Corporate and unallocated loss	**(16,964)**	(26,031)
Consolidated loss before tax	**(16,002)**	(47,886)
Assets:		
Total assets of reportable segments	**103,522**	96,335
Bank and cash balances	**37,250**	30,492
Corporate and unallocated assets	**3,273**	11,911
Consolidated total assets	**144,045**	138,738
Liabilities:		
Total liabilities of reportable segments	**31,448**	18,397
Borrowings	**64,250**	45,800
Deferred tax liabilities	**653**	433
Corporate and unallocated liabilities	**7,842**	19,269
Consolidated total liabilities	**104,193**	83,899

Geographical information:

	2020	2019
	HK$'000	*HK$'000*
Revenue:		
Hong Kong	**57,947**	62,873
The People's Republic of China (the "**PRC**")	**22,929**	30,468
	80,876	93,341

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

	2020	2019
	HK$'000	*HK$'000*
Non-current assets:		
Hong Kong	**12,899**	13,556
The PRC	**17,540**	15,625
	30,439	29,181

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

	2020	2019
	HK$'000	*HK$'000*
Customer A# — Construction business segment	**—**	19,877

\# Customer A did not contribute over 10% of the Group's revenue for the year ended 31 December 2020, the figure shown was for comparative disclosure purpose only.

5. OTHER INCOME AND OTHER GAINS OR LOSSES, NET

	2020	2019
	HK$'000	*HK$'000*
Reversal of impairment loss on trade and other receivables	**319**	222
Net foreign exchange loss	**(68)**	(51)
Loss on disposals of property, plant and equipment	**(6)**	(11)
Loss on written off of property, plant and equipment	**–**	(114)
Gain/(loss) on disposal of subsidiaries *(note 6)*	**351**	(2,075)
Loss on deregistration of subsidiaries	**(32)**	–
Written off of inventories	**–**	(904)
Waiver of trade payables	**–**	589
Rental income from sub-letting	**473**	–
Government subsidies *(note)*	**3,933**	526
Others	**393**	406
	5,363	(1,412)

Note: Government subsidies are awarded to the Group by the government authority. No condition have been applied on such government subsidies from the government authority.

6. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2020

On 21 May 2020, the Group had entered into disposal agreement with an independent third party, in which the Group would dispose the entire issued share capital of Blossom Oasis Limited (the "**Blossom Oasis Disposal**") and its subsidiaries (collectively referred to as the "**Blossom Oasis Group**") at a total consideration of HK$780. The disposal was completed during the year ended 31 December 2020.

Blossom Oasis Group was principally engaged in investment holding.

Net liabilities at the date of disposal were as follows:

	Blossom Oasis Disposal
	HK$'000
Property, plant and equipment	32
Right-of-use assets	1,918
Trade and other receivables	106
Trade and other payables	(1)
Lease liabilities	(2,404)
Net liabilities disposed of	(349)
Release of foreign currency translation reserve	(1)
Gain on disposal of subsidiaries	351
Total consideration — satisfied by cash	1
Net cash inflow arising on disposal:	
Cash consideration received	1

7. INCOME TAX EXPENSES

	2020	2019
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Over-provision in prior years	**(35)**	–
Deferred tax	**220**	400
Income tax expenses	**185**	400

Hong Kong Profits Tax is provided at 16.5% (2019: 16.5%) based on the assessable profit for the year. No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2020 and 2019 as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2020 and 2019.

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.

The reconciliation between the income tax expenses and loss before income tax is as follows:

	2020	2019
	HK$'000	*HK$'000*
Loss before income tax	**(16,002)**	(47,886)
Tax at Hong Kong Profits Tax rate of 16.5% (2019: 16.5%)	**(2,640)**	(7,901)
Tax effect of income is not taxable	**(760)**	(78)
Tax effect of expenses are not deductible	**953**	4,158
Tax effect of tax losses not recognised	**2,891**	5,463
Tax effect of utilisation of tax losses not previously recognised	**(96)**	(717)
Tax effect of temporary differences not recognised	**32**	(411)
Effect of different tax rates of subsidiaries	**(160)**	(114)
Over-provision in prior years	**(35)**	–
Income tax expenses	**185**	400

8. LOSS FOR THE YEAR

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

	2020	2019
	HK$'000	*HK$'000*
Cost of inventories sold/services provided	**57,531**	66,237
Depreciation of property, plant and equipment	**6,815**	7,460
Depreciation of right-of-use assets	**5,594**	6,092
Reversal of impairment loss on trade and other receivables	**(319)**	(222)
(Gain)/loss on disposal of subsidiaries (note 6)	**(351)**	2,075
Loss on deregistration of subsidiaries	**32**	–
Loss on disposals of property, plant and equipment	**6**	11
Written off of property, plant and equipment	**—**	114
Written off of inventories	**—**	904
Impairment losses on various assets		
Trade receivables	**674**	5,379
Prepayments and trade deposits	**—**	5,672
Other receivables	**—**	10,738
	674	21,789
Staff costs (including directors' remuneration)		
Salaries, bonus and allowances	**36,012**	36,684
Retirement benefits scheme contributions	**945**	1,158
	36,957	37,842
Expenses related to short-term lease	**232**	683
Auditor's remuneration	**728**	780

9. DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: 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$15,250,000 (2019: approximately HK$44,411,000) and the weighted average number of ordinary shares of 1,010,605,000 (2019: 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 2020 and 2019.

11. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**37,953**	87,680
Less: allowance for impairment of trade receivables	**(1,928)**	(51,777)
Trade receivables, net	**36,025**	35,903
Retention receivables	**1,886**	2,911
Less: allowance for impairment of retention receivables	**(28)**	(28)
Retention receivables, net	**1,858**	2,883
Prepayments and trade deposits	**35,581**	87,336
Less: allowance for impairment of prepayments and trade deposits	**(4,767)**	(56,156)
Prepayments and trade deposits, net *(note)*	**30,814**	31,180
Other deposits and receivables	**3,112**	17,318
Less: allowance for impairment of other receivables	**—**	(10,578)
Other deposits and receivables, net	**3,112**	6,740
	71,809	76,706

Note: Included in the prepayments and trade deposits of approximately HK$29,475,000 (equivalent to RMB26,100,000) as at 31 December 2020 was the prepayments to supplier, an independent third party, for construction business. In March 2021, the Company and the supplier have entered into supplemental agreement, in which (i) RMB 7,000,000 to be refunded from supplier to the Group; (ii) if the Company cannot reach further cooperation project agreements before 31 August 2021, the amount of RMB7,000,000 would be refunded to the Company; and (iii) if the Company cannot reach further cooperation project agreements before 31 December 2021, the amount of RMB12,100,000 would be refunded to the Company.

Up to the date of this announcement, the total amount of approximately HK$8,158,000 (equivalent to RMB7,000,000) has been refunded by the supplier to the Group in accordance with the term established in the supplemental agreement.

The Group allows an average credit period of 45 days to its trade customers. The following is ageing analysis of trade receivables based on invoice date is as follows:

	2020	2019
	HK$'000	*HK$'000*
0~30 days	**11,456**	6,305
31~60 days	**4,649**	4,909
61~90 days	**3,311**	6,499
91~365 days	**8,578**	12,909
Over 365 days	**8,031**	5,281
	36,025	35,903

Reconciliation of loss allowance for trade receivables:

	2020	2019
	HK$'000	*HK$'000*
At the beginning of the year	**51,777**	47,022
Increase in loss allowance for the year	**674**	5,379
Reversal of loss allowance for the year	**(319)**	(220)
Receivables written off during the year as uncollectable	**(50,563)**	(326)
Exchange differences	**359**	(78)
At the end of the year	**1,928**	51,777

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	**Over 30 days past due**	**Over 60 days past due**	**Over 90 days past due**	**Over 365 days past due**	**Total**
At 31 December 2020						
Weighted average expected loss rate	**3%**	**3%**	**3%**	**3%**	**12%**	
Receivable amount *(HK$'000)*	**14,620**	**4,515**	**1,574**	**8,682**	**8,562**	**37,953**
Loss allowance *(HK$'000)*	**439**	**135**	**47**	**298**	**1,009**	**1,928**
At 31 December 2019						
Weighted average expected loss rate	3%	3%	3%	3%	91%	
Receivable amount *(HK$'000)*	11,193	2,969	5,707	12,179	55,632	87,680
Loss allowance *(HK$'000)*	336	89	171	399	50,782	51,777

12. BANK AND CASH BALANCES

As at 31 December 2020, the bank and cash balances of the Group denominated in Renminbi ("**RMB**") amounted to approximately HK$2,328,000 (2019: approximately HK$684,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

At the end of the reporting period, bank and cash balances comprise cash held by the Group and short-term bank deposits with an original maturity period of three months or less. Bank balance carried interest at market rates ranging from 0.001% to 0.35% per annum (2019: 0.001% to 0.35%).

13. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**10,421**	5,560
Accruals	**3,942**	3,940
Other payables	**12,593**	4,140
	26,956	13,640

Note: 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:

	2020	2019
	HK$'000	*HK$'000*
0–30 days	**4,090**	1,378
31–60 days	**2,415**	324
61–90 days	**969**	587
Over 90 days	**2,947**	3,271
	10,421	5,560

14. SHARE CAPITAL

	Number of ordinary shares	Ordinary shares
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each:		
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	2,000,000,000	20,000

	Number of ordinary shares	Ordinary shares
		HK$'000
Issued and fully paid:		
Ordinary shares of HK$0.01 each:		
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	1,010,605,000	10,106

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

BUSINESS REVIEW

The principal activity of the Company is investment holding. For the year ended 31 December 2020 (the "**Reporting Period**"), the Group mainly engages in provision of construction services and components (the "**Construction Business**").

Construction Business

(a) Concrete demolition services and other construction services ("Construction 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.

	2020	2019
	HK$'000	*HK$'000*
Revenue from		
— private sector project	**49,442**	51,139
— public sector project	**8,505**	10,150
	57,947	61,289

(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.

Other Business

(a) Agriculture-related business

Under the globally increasing concerns about healthy living and food security, the Group believes that the demand for green food will continue to rise. The Group has now been formulating the business strategy and plan for the agriculture-related business and also initiating the negotiation with certain agribusinesses to explore the feasibility of cooperation to develop the business in relation to agricultural produce and its related products.

On 22 July 2019, the Company and Hubei Bio-great Agricultural Technology Co., Ltd* (湖北凱瑞百穀農業科技股份有限公司) (the "**Target Company**"), a company established in the People's Republic of China (the "**PRC**") with limited liability, entered into a non-legally binding cooperative intent agreement (the "**Intent Agreement**") in relation to the proposed investment (the "**Proposed Investment**") in the Target Company. It was proposed that the Company shall invest in the Target Company by way of subscription of 51% or more of the registered capital of the Target Company.

Pursuant to the Intent Agreement, the Company intended to invest in and cooperate with the Target Company to expand high-tech seed industry projects through the development of potatoes and agricultural products cold chain, processing, logistics and distribution centers, leisure sightseeing agricultural tourism and large scale construction, etc.

The negotiation and due diligence review in respect of the Proposed Investment is still ongoing. There is no concrete timeline to make any deal for the Proposed Investment.

* *For identification purpose only*

(b) Trading business

Trading Business primarily comprised the trading of clean coal. Its coal resource was from the Ordos City, Inner Mongolia, the PRC. During the Reporting Period, the Group decided to suspend the clean coal trading business as it had operated at a loss. During the Reporting Period, the Group has no concrete plan to restart the clean coal trading business.

(c) Financial Services

Financial Service business includes provision of insurance brokerage and consultancy services in Hong Kong and provision of commercial factoring in the PRC. The Group has ceased all Financial Service business in 2019.

FINANCIAL REVIEW

Revenue

Revenue decreased by approximately HK$12.4 million or 13.3% from approximately HK$93.3 million for the year ended 31 December 2019 ("**FY2019**") to approximately HK$80.9 million for the Reporting Period. The decrease was primarily due to a combined effect of (i) a decrease of HK$6.5 million in revenue from Prefabricated Construction, (ii) a decrease of HK$3.3 million in revenue from Construction Services; and (iii) a decrease of HK$2.6 million in revenue from trading of clean coal and financial services.

The analysis of revenue was shown as follows:

Revenue by nature

	2020	2019
	HK$'000	*HK$'000*
CONTINUING OPERATIONS		
Construction Business		
— Provision of Construction Services	**57,947**	61,289
— Prefabricated Construction	**22,929**	29,413
	80,876	90,702
Other Business		
— Trading of clean coal and others	**—**	1,055
— Provision of financial services	**—**	1,584
	80,876	93,341

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately HK$3.8 million or 14.0% from approximately HK$27.1 million for FY2019 to approximately HK$23.3 million for the Reporting Period.

Gross profit margin decreased from 29.0% for FY2019 to 28.9% for the Reporting Period. The decrease was primarily due to a decrease by 2.6 percentage points in gross profit margin from Construction Services.

Administrative and Other Operating Expenses

Administrative and other operating expenses decreased by approximately HK$8.9 million from approximately HK$47.8 million for FY2019 to approximately HK$38.9 million for the Reporting Period. Such decrease was primarily due to (i) a decrease of approximately HK$5.1 million in general administration expenses of head office in Hong Kong, primarily resulting from a decrease in rental expenses, staff cost and consultancy fee; (ii) a decrease of approximately HK$1.2 million in administration and operating expenses attributable to Construction Business, primarily resulting from transportation cost and research and development expenses, (iii) a decrease of approximately HK$0.4 million in administration and operating expenses attributable to Trading Business that was suspended in 2019 and (iv) a decrease of approximately HK$0.6 million in administration and operating expenses attributable to Finance Services that was ceased in 2019.

Loss Attributable to Owners of the Company

The Group's loss attributable to owners of the Company was approximately HK$15.3 million for the Reporting Period, representing a decrease of approximately HK$29.1 million as compared to a loss of HK$44.4 million attributable to owners of the Company for FY2019. The decrease was primarily due to a combined effect of (i) a decrease of HK$16.4 million in impairment on prepayment and other receivables; (ii) a decrease of HK$4.6 million in impairment loss on trade receivables; (iii) a decrease of HK$2.4 million in loss on disposal and deregistration of subsidiaries; (iv) an one-off government subsidies of HK$3.9 million received during the Reporting Period and (v) a decrease of HK$8.9 million in administrative and other operating expenses.

Use of Proceeds of Initial Public Offerings

The net proceeds from the placing of the shares of the Company (the "**Share(s)**") in connection with the listing (the "**Listing**") was approximately HK$31.2 million. During the year ended 31 December 2020 and 2019, the net proceeds from the Listing were applied as follows:

	Planned use of proceeds as stated in the Prospectus *HK$' million*	Actual use of proceeds during FY2019 *HK$' million*	**Actual use of proceeds during FY2020** ***HK$' million***	Unutilized Proceeds as at 31 December 2019 *HK$' million*	**Unutilized Proceeds as at 31 December 2020** ***HK$' million***
Enhancing machinery and equipment	16.4	4.4	**—**	3.3	**—**
Strengthening manpower	4.6	0.6	**—**	—	**—**
Increasing marketing efforts	1.7	—	**—**	—	**—**
Repayment of bank borrowings	5.5	—	**—**	—	**—**
General working capital	3.0	—	**3.3**	—	**—**
	31.2	5.0	**3.3**	3.3	**—**

The proceeds from the Listing have been fully utilized during the Reporting Period. As the Group expected the need for enhancing machinery and equipments is not pressing, the Group reallocated the rest of unutilised proceeds to meet the need for general working capital of the Group. Any reallocation of the use of proceeds was applied based on the actual development of the Group.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2020, the Group had cash and bank deposits of approximately HK$37.3 million (2019: approximately HK$30.5 million).

The gearing ratio of the Group as at 31 December 2020 (defined as total borrowings including interest bearing and non-interest bearing, divided by the Group's total equity) was approximately 1.61 (2019: approximately 0.84).

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 2020 and 2019, there were no material investment held by the Group.

Debts and Charge on Assets

As at 31 December 2020, the total borrowings of the Group, including unsecured fixed bonds and other loan, amounted to approximately HK$64.3 million (2019: approximately HK$45.8 million). The annual interest rates of the borrowings during the Reporting Period ranged from 6.75% to 12% per annum (2019: 7.5% to 9.0% per annum). All of the borrowings are unsecured and matures in one year. It was accounted for as current liabilities of the Group. All of the above are denominated in Hong Kong dollars.

Capital Commitments

The Group does not have material capital commitments as at 31 December 2020 (2019: Nil).

Future plans for material investment or capital assets

Save as disclosed in the annual report, the Group does not have any other specific plan for material investments or capital assets as at 31 December 2020.

Contingent Liability

The Group had no material contingent liabilities as at 31 December 2020 (2019: Nil).

Employee and Remuneration Policies

As at 31 December 2020, the Group employed 116 staff (2019: 123 staff). Total employee costs for the Reporting Period including directors' emoluments, amounted to approximately HK$37.0 million (2019: approximately HK$37.9 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 (2019: Nil).

BUSINESS REVIEW AND PROSPECT

In Hong Kong, the Covid-19 is drastically impacting the economy and disrupting the business operating in different industries. The construction industry has also been hit hard and challenged by a lot of obstacles regarding shut-downs on construction sites, shortage of labour, disruption of supply chain and project delays even cancellations due to Covid-19 outbreak. The Hong Kong Government imposed a series of measures to contain the spread of Covid-19 while struggling to maintain the operation of daily business in most of sectors. There are still uncertainties when the Covid-19 can be brought under control and the protective measures can be lowered. The Group was grappling with any business disruption caused by the Covid-19 pandemic. In the meanwhile, the Group also faced a keen competition for the construction public sector projects as the construction expenditure of Hong Kong contracted led by stalling the budget approval in the legislature. It may adversely affect the construction business in Hong Kong.

In early year 2020, the China government had implemented emergency public health measures and taken various action to contain the spread of Covid-19 pandemic, including travel restriction and delay in resuming work after the Lunar new year holiday until March 2020. Such measures had resulted in a general disruption of production, supply chain and logistic service across the mainland of China. It caused a significant decrease in the Group's revenue from Prefabricated Construction business for the first half year. In the wake of that China has gradually managed to contain the Covid-19 pandemic, the construction activities in China has been reviving and tends to be stable. The Group's prefabricated construction business has improved in second half year and re-gained the positive momentum. However, China economy is still fraught with uncertainties in the coming years, such as the risk of rebound of Covid-19 cases and persistent tensions of US and China relationship. The Group has to maintain a high degree of vigilance against any unpredictable development and events that could adversely affect the Group's business in China.

The Group plans to develop and tap into overseas market for the construction business. The Group has paired up with a reputable construction company as a long term cooperative partner in a bid to gain the foothold in the overseas market, particularly for the countries along the Belt and Road. Unfortunately, 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.

The Group will closely monitor the market development and the change in the surrounding of the Group's operations. 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.

CORPORATE GOVERNANCE CODE

Throughout the Reporting Period, the Company has complied with the applicable code provisions of the Code except for the deviations from code provisions A.1.8 and E.1.2 of the Code as explained below.

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

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.

E.1.2 Attendance of Chairman in Annual General Meeting

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 2020 due to the travel restriction in Covid-19 pandemic. The Board elected an executive Director, Ms. Zhou Jin, 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.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Reporting Period. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information that is publicly available to the Company, at least 25% of the Company's issued share capital were held by the public as at the date of this report.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

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 2020 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited ("**ZHONGHUI ANDA**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by ZHONGHUI ANDA 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 ZHONGHUI ANDA on the preliminary announcement.

AUDITOR

ZHONGHUI ANDA was the auditor of the Company, which shall retire in the forthcoming AGM and, being eligible, offer itself for reappointment. A resolution for the re-appointment of ZHONGHUI ANDA as auditors of the Company will be proposed at the forthcoming AGM.

By order of the Board
Glory Flame Holdings Limited
Liu Ying Jie
Chairman

Hong Kong, 31 March 2021

As at the date of this announcement, the executive Directors are Mr. Liu Ying Jie and Ms. Zhou Jin; 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.