

TARGET

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GLORY FLAME HOLDINGS LTD: DOWN THE SLIPPERY SLOPES THE COMPANY GOES

Glory Flame Holdings Ltd (朝威控股有限公司) (Code: 8059, The **G**rowth **E**nterprise **M**arket [the **GEM**], The Stock Exchange of Hongkong Ltd) was forced to write-off \$HK50,563,000 from its Trade and Other Receivables, having been determined by Senior Management as being ‘*uncollectable*’.

That amount of the write-off of \$HK50,563,000 was equivalent to about 62.52 percent of the entire Revenue of the Company with regard to the 2020 Financial Year, ended December 31.

In the 2019 Financial Year, Management wrote-off only \$HK326,000 from its Trade and Other Receivables, while there was no mention of a material write-off with regard to the 2018 Financial Year.

One might have thought that, due to the very momentous write-off of the Company’s Trade and Other Receivables in respect of the 2020 Financial Year, the Chairman, Mr Liu Ying Jie (劉英杰), would have made mention of this matter in his Statement to Shareholders.

But it was not to be.

Instead, Chairman Liu Ying Jie concentrated on the Company’s performance and a business review:

‘The Group posted a revenue of HK\$80.9 million for FY2020, representing a decrease by 13.3% as compared to HK\$93.3 million for the year ended 31 December 2019 (“FY2019”). During FY2020, the Group’s revenue was primarily derived from the construction related business.

‘The Group recorded a net loss of HK\$16.2 million for FY2020, representing a decrease by 66.5% as compared to a net loss of HK\$48.3 million for FY2019. Basic loss per share for FY2020 was HK1.51 cents, as compared to HK4.39 cents for FY2019...

‘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.'

After the aforementioned three paragraphs, Chairman Liu Ying Jie rambled on about the Government of the People's Republic of China (PRC), its 'emergency public health measures,' 'the spread of Covid-19 pandemic', 'travel restrictions', 'general disruption of production', as well as 'supply chain and logistic service' with regard to the second-largest economy of the world ... and so on, and so on, and so on.

'Much ado about nothing' as in the comedy, penned by William Shakespeare, having been written in 1598 and 1599.

A Smidgen Of The History Of Glory Flame Holdings Ltd

Glory Flame Holdings Ltd applied and was accepted as a GEM candidate of the secondary equity market of the Hongkong Special Administrative Region (HKSAR) on August 15, 2014.

In a Public Placing of its Shares, the Company raised about \$HK31.20 million, net of expenses.

At the time of its listing on the GEM, Management announced that the net proceeds would be utilised in order to purchase additional machinery, the hiring of more staff, the repayment of bank borrowings, and to enhance the Company's Working Capital.

The business of the Company is said to be engaged in the provision of concrete demolition services and manufacturing and trading in prefabricated construction components.

About 16 months after its entrance into the ranks of the GEM, Management announced that the Revenue for the Financial Year, ended December 31, 2015, had come in at about \$HK90.26 million, while the Net Profit Attributable to Shareholders was about \$HK10.61 million.

The following Financial Year saw the Revenue of the Company rise to about \$HK128.96 million, while shareholders were caused to accept the inevitable: A Net Loss Attributable to Shareholders in the amount of \$HK68.09 million.

With regard to the 2017 Financial Year, shareholders saw the Company's Revenue continue to rise to about \$HK183.28 million, with the Net Profit Attributable to Shareholders, coming in at about \$HK18.14 million.

After the 2017 Financial Year had been delegated to history, in respect of the 2018 Financial Year, it was down the slippery slopes for both the Company's Revenue, with the Bottom Line, having been written in red ink.

The following **TARGET** (泰達財經) table tells the tale:

	2020	2019	2018
	All Figures Are Denominated In \$HK'000 (except where otherwise specified)		
Revenue	80,876	93,341	133,631
Gross Profit	23,345	27,104	28,543
Gross Profit Margin*	28.87 percent	29.04 percent	21.36 percent
Net Loss Attributable To Shareholders	(15,250)	(44,411)	(194,804)

* These are **TARGET**'s calculations

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