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BOLTEK HOLDINGS LIMITED

寶燧控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 8601)

ANNUAL RESULTS ANNOUNCEMENT FOR YEAR ENDED 31 DECEMBER 2019

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

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

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

This announcement, for which the directors (the “Directors”) of Boltek Holdings Limited (the “Company”, together with its subsidiaries, the “Group” or “We”) 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.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board of Directors of the Company (the “Board”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Revenue	3	100,720	88,422
Cost of services		<u>(58,158)</u>	<u>(50,439)</u>
Gross profit		42,562	37,983
Other income	4	1,263	568
Administrative expenses		(23,850)	(36,965)
Finance costs		<u>(215)</u>	<u>–</u>
Profit before income tax	5	19,760	1,586
Income tax expense	6	<u>(3,262)</u>	<u>(3,024)</u>
Profit/(Loss) and total comprehensive income/(expense) for the year attributable to equity holders of the Company		<u>16,498</u>	<u>(1,438)</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings/(Loss) per share attributable to equity holders of the Company			
Basic and diluted	8	<u>2.06</u>	<u>(0.22)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
ASSETS AND LIABILITIES			
Non-current asset			
Property, plant and equipment		<u>7,344</u>	<u>1,475</u>
Current assets			
Contract assets	10	12,207	8,504
Trade and other receivables	9	34,171	30,822
Current tax recoverable		–	1,266
Cash and bank balances		<u>89,141</u>	<u>75,285</u>
		<u>135,519</u>	<u>115,877</u>
Current liabilities			
Contract liabilities	10	163	659
Provisions		2,232	2,206
Trade and other payables	11	6,653	2,059
Lease liabilities – current portion		2,554	–
Amounts due to directors/a director		1,800	1,500
Current tax liabilities		<u>121</u>	<u>–</u>
		<u>13,523</u>	<u>6,424</u>
Net current assets		<u>121,996</u>	<u>109,453</u>
Total assets less current liabilities		<u>129,340</u>	<u>110,928</u>
Non-current liabilities			
Lease liabilities – non-current portion		1,888	–
Deferred tax liabilities		<u>276</u>	<u>153</u>
		<u>2,164</u>	<u>153</u>
Net assets		<u>127,176</u>	<u>110,775</u>
EQUITY			
Share capital	12	8,000	8,000
Reserves		<u>119,176</u>	<u>102,775</u>
Total equity		<u>127,176</u>	<u>110,775</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Total equity attributable to equity holders of the Company				
	Share capital HK\$'000 (Note 12)	Capital reserve* HK\$'000	Share premium* HK\$'000	Retained earnings* HK\$'000	Total HK\$'000
Balance at 1 January 2018	–	–	–	22,545	22,545
Issuance of ordinary shares of a subsidiary for Loan Capitalisation (Note 12(d))	5,000	–	–	–	5,000
Issuance of ordinary shares of Richness Universal for Pre-IPO Investments and Bonus Shares (Note 12(e))	9	–	11,991	–	12,000
Effect of group reorganisation	(5,009)	17,000	(11,991)	–	–
Issue of ordinary shares pursuant to the Capitalisation Issue (Note 12(b)(iii))	6,000	–	(6,000)	–	–
Issue of ordinary shares pursuant to the Share Offer (Note 12(c))	2,000	–	70,668	–	72,668
Loss and total comprehensive expense for the year	–	–	–	(1,438)	(1,438)
Balance at 31 December 2018 and 1 January 2019	8,000	17,000	64,668	21,107	110,775
Adjustment from the adoption of HKFRS 16 (Note 2)	–	–	–	(97)	(97)
Adjusted balance at 1 January 2019	8,000	17,000	64,668	21,010	110,678
Profit and total comprehensive income for the year	–	–	–	16,498	16,498
Balance at 31 December 2019	8,000	17,000	64,668	37,508	127,176

* These reserves accounts comprise the Group's reserves of HK\$119,176,000 (2018: HK\$102,775,000) in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

Boltek Holdings Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 18 April 2018. The addresses of the its registered office and principal place of business are Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and 5/F, Winning Commercial Building, 46–48 Hillwood Road, Tsim Sha Tsui, Kowloon, Hong Kong, respectively.

The Company, which is an investment holding company, and its subsidiaries (collectively referred as the “Group”) are principally engaged in provision of engineering design and consultancy services in Hong Kong and investment holding.

The Company’s immediate and ultimate holding company is Waywin Investment Holding Limited (“Waywin Investment”), a company incorporated in the British Virgin Islands (the “BVI”). The ultimate controlling shareholder of the Group is Mr. Cheung Kwan Tar (“Controlling Shareholder”).

The Company’s shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 13 September 2018.

1.2 Basis of presentation

Pursuant to a group reorganisation (the “Reorganisation”), which was completed by interspersing the Company and Richness Universal Limited (“Richness Universal”) between Mannings (Asia) Consultants Limited (“Mannings”) and the Controlling Shareholder (the “Reorganisation”) in connection with the listing of the Company’s shares on the GEM (the “Listing”), the Company became the holding company of the companies now comprising the Group on 10 August 2018.

Details of the Reorganisation are set out in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in the Company’s prospectus dated 29 August 2018 (the “Prospectus”). The Group is under the common control of the Controlling Shareholder prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2018 which include the results, changes in equity and cash flows of the companies now comprising the Group have been prepared using the principles of merger accounting under Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the year ended 31 December 2018, or since their respective dates of incorporation, where it is a shorter period.

The consolidated statement of financial position as at 31 December 2018 have been prepared as if the current group structure had been in existence as at those respective dates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance (“CO”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“Listing Rules”).

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented, unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group’s financial statements, if any, are disclosed as below.

The consolidated financial statements have been prepared under the historical cost basis.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$” or “HKD”), which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousand (HK\$’000), except where otherwise indicated.

New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group’s operations and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2019:

HKFRS 16	Leases
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKFRS 16 “Leases”

HKFRS 16 “Leases” replaces HKAS 17 “Leases” along with three Interpretations (HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease”, HK(SIC)-Int 15 “Operating Leases-Incentives” and HK(SIC)-Int 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and should be adjusted to reflect the discounting effect at transition. As the discounting effect is not significant, no adjustment was made to the refundable rental deposits paid at the date of initial application, 1 January 2019.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at its carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

The weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 4.0%.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	<i>HK\$'000</i>
Total operating lease commitments disclosed at 31 December 2018	6,436
Committed but not yet commenced leases as at 31 December 2018	(532)
Recognition exemptions:	
– Leases with remaining lease term of less than 12 months	(118)
	<hr/>
Operating leases liabilities before discounting	5,786
Discounting using incremental borrowing rate as at 1 January 2019	(228)
	<hr/>
Total lease liabilities recognised under HKFRS 16 at 1 January 2019	<u>5,558</u>
Classified as:	
Current lease liabilities	1,886
Non-current lease liabilities	3,672
	<hr/>
	<u>5,558</u>

The following table summarises the impact of transition to HKFRS 16 on the Group's consolidated statement of financial position at 1 January 2019:

	<i>HK\$'000</i>
Increase in right-of-use assets presented in property plant and equipment	5,446
Increase in lease liabilities	5,558
Decrease in deferred tax liabilities	(15)
Decrease in retained earnings	(97)
	(97)

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective date not yet determined

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The directors anticipate that all the new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning after the effective date of such standards. The Group is in the process of making an assessment of the impact of these new and amended HKFRSs upon initial application. Currently it has been considered that adoption of them is unlikely to have a material impact on the Group's results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

3.1 Revenue

Revenue is recognised over time and is disaggregated by nature of engineering design and consultancy services as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Civil engineering		
– Road & structural engineering	57,602	40,125
– Geotechnical engineering	8,799	8,221
– Others	6,411	5,695
	<u>72,812</u>	<u>54,041</u>
Traffic engineering	22,191	27,178
Building engineering	3,478	2,380
Other ancillary services	2,239	4,823
	<u>100,720</u>	<u>88,422</u>

Under the contracts with customers, each engineering design and consultancy service contract relates to facts and circumstances that are specific to each customer. Contract terms provide the Group with an enforceable right to payment, for its performance completed to date, of its costs incurred plus a reasonable margin.

Remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2019 and 2018.

	At 31 December 2019 <i>HK\$'000</i>
Remaining performance obligations expected to be satisfied during the year ending	
31 December 2020	79,698
31 December 2021	29,940
After 31 December 2021	<u>49,694</u>
	<u>159,332</u>

At 31 December
2018
HK\$'000

**Remaining performance obligations expected to be satisfied
during the year ending**

31 December 2019	67,780
31 December 2020	23,996
After 31 December 2020	18,187
	109,963

3.2 Segment information

The chief operating decision maker has been identified as the executive directors of the Company. The executive directors regard the Group's business of provision of engineering design and consultancy services as a single operating segment and reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented.

Geographical information

No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

Information about major customers

Revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	2019 HK\$'000	2018 HK\$'000
Customer A	14,877	10,835

4. OTHER INCOME

	2019 HK\$'000	2018 HK\$'000
Bank interest income	1,052	324
Government subsidies (<i>note</i>)	211	220
Sundry income	–	24
	1,263	568

Note: Subsidies have been received from the Hong Kong Vocational Training Council and the Construction Industry Council, institutions established by the HKSAR Government, for providing on-the-job training for graduate engineers and trainees, respectively. There were no unfulfilled conditions or contingencies relating to these subsidies.

5. PROFIT BEFORE INCOME TAX

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before income tax is stated after charging:		
(a) Staff costs (including directors' emoluments) (<i>note</i>)		
– Salaries, wages, bonus and other benefits	61,634	50,692
– Contributions to defined contribution retirement plans	<u>1,995</u>	<u>1,633</u>
	<u>63,629</u>	<u>52,325</u>
(b) Other items		
Depreciation (included in administrative expenses)		
– Owned assets	910	586
– Right-of-use assets	2,347	–
Subconsultancy fees (included in cost of services)	6,088	8,167
Auditors' remuneration	620	620
Short-term leases charges and leases charges with lease term shorter than 12 months as at initial application of HKFRS 16	118	–
Operating lease charges in respect of leased premises	–	2,267
ECL allowance on:		
– contract assets	155	–
– trade receivables	380	–
Listing expenses	<u>–</u>	<u>17,762</u>

Note:

Staff costs (including directors' emoluments)

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Cost of services	51,504	41,856
Administrative expenses	<u>12,125</u>	<u>10,469</u>
	<u>63,629</u>	<u>52,325</u>

6. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Provision for Hong Kong Profits Tax		
– Current tax	3,144	3,032
– Statutory tax concession	(20)	(30)
	<u>3,124</u>	<u>3,002</u>
Deferred tax		
– Current tax	138	28
– Effect of change in tax rates	–	(6)
	<u>138</u>	<u>22</u>
	<u><u>3,262</u></u>	<u><u>3,024</u></u>

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year, except for a subsidiary of the Group, which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying entities are taxed at 8.25%, and the profits above HK\$2 million are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2018.

7. DIVIDENDS

The directors did not recommend the payment of a dividend for the year ended 31 December 2019 and 2018.

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share attributable to equity holders of the Company is based on the following:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit/(Loss)		
Profit/(Loss) for the year attributable to equity holders of the Company	<u>16,498</u>	<u>(1,438)</u>
Number of shares		
Weighted average number of ordinary shares (in thousands)	<u>800,000</u>	<u>660,274</u>

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2019 is 800,000,000 ordinary shares in issue during the year.

The weighted average number of ordinary shares used to calculate the basic loss per share for the year ended 31 December 2018 includes (i) 1 and 1,999 ordinary shares in issue at beginning of the year and during the year respectively; (ii) 599,998,000 new ordinary shares issued pursuant to the Capitalisation Issue (Note 12(b)(iii)), as if all these shares had been in issue throughout the year ended 31 December 2018, and (iii) 60,274,000 shares, representing the weighted average of 200,000,000 new ordinary shares issued pursuant to the Share Offer (Note 12(c)).

There were no dilutive potential ordinary shares during the years ended 31 December 2019 and 2018 and therefore, diluted earnings/(loss) per share equals to basic earnings/(loss) per share.

9. TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	30,332	24,301
Less: ECL allowance	<u>(380)</u>	<u>–</u>
	<u>29,952</u>	<u>24,301</u>
Other receivables	3,941	4,075
Prepayments	151	2,258
Utility and other deposits	<u>127</u>	<u>188</u>
	<u>34,171</u>	<u>30,822</u>

The directors of the Company consider that the fair values of trade and other receivables are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

Trade receivables

The Group usually provide customers with a credit term of 0 to 60 days. For the settlement of trade receivables from provision of engineering design and consultancy services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgement and experience of the management.

Based on the invoice dates, the ageing analysis of the trade receivables, net of ECL allowance, was as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 30 days	10,929	12,827
31 – 60 days	4,503	3,194
61 – 90 days	2,713	2,010
91 – 365 days	8,977	5,583
Over 365 days	2,830	687
	<u>29,952</u>	<u>24,301</u>

The movement in the ECL allowance of trade receivables is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Balance at 1 January	–	–
ECL allowance recognised during the year	380	–
	<u>380</u>	<u>–</u>
Balance at 31 December	<u>380</u>	<u>–</u>

Other receivables

No amounts in relation to other receivables were past due at 31 December 2019 and 2018.

10. CONTRACT BALANCES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Contract assets	12,362	8,504
Less: ECL allowance	(155)	–
	<u>12,207</u>	<u>8,504</u>
Contract assets, net of ECL allowance	12,207	8,504
Contract liabilities	(163)	(659)
	<u>12,044</u>	<u>7,845</u>

The amount of revenue recognised during the year ended 31 December 2019 from performance obligations satisfied in previous periods, mainly due to the changes in estimate of the stage of completion, is HK\$892,000 (2018: HK\$1,029,000).

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services.

Change of contract assets during the year ended 31 December 2019 was mainly due to change in number of contract works that relevant services were completed but yet been certified at the end of the reporting period.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Transfers from contract assets recognised at the beginning of the year to receivables	<u>(6,323)</u>	<u>(4,416)</u>
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>593</u>	<u>490</u>

The balance of contract assets and contract liabilities are expected to be recovered/settled within one year.

The movement in the ECL allowance of contract assets is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Balance at 1 January	–	–
ECL allowance recognised during the year	<u>155</u>	<u>–</u>
Balance at 31 December	<u>155</u>	<u>–</u>

11. TRADE AND OTHER PAYABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables (<i>note (a)</i>)	543	795
Accruals and other payables (<i>note (b)</i>)	<u>6,110</u>	<u>1,264</u>
	<u>6,653</u>	<u>2,059</u>

Notes:

- (a) The Group is usually granted by suppliers with a credit term of 0 to 30 days.

The ageing analysis of trade payables based on the invoice date is as follows:

	2019 HK\$'000	2018 HK\$'000
0 – 30 days	–	185
31 – 60 days	10	12
61 – 90 days	–	21
91 – 365 days	–	138
Over 365 days	533	439
	<u>543</u>	<u>795</u>

- (b) Included in the Group's accruals and other payables as at 31 December 2019 was an amount of HK\$4,848,000 (2018: nil), which represented accrued staff bonus .
- (c) All amounts are short-term and hence, the carrying values of the Group's trade payables and accruals and other payables are considered to be a reasonable approximation of fair value.

12. SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each upon incorporation on 18 April 2018 (<i>Note (a)</i>)	10,000,000	100
Increase of authorised share capital (<i>Note (b)(ii)</i>)	1,490,000,000	14,900
As at 31 December 2018 and 2019	<u>1,500,000,000</u>	<u>15,000</u>
Issued but not paid up:		
Ordinary shares of HK\$0.01 each upon incorporation on 18 April 2018 (<i>Note (a)</i>)	1	–
Transfer to issued and fully paid upon Reorganisation (<i>Note (b)(i)</i>)	(1)	–
As at 31 December 2018 and 2019	<u>–</u>	<u>–</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each upon incorporation on 18 April 2018 (<i>Note (a)</i>)	–	–
Transfer from issued and not paid upon the Reorganisation (<i>Note (b)(i)</i>)	1	–*
Issuance of ordinary shares (<i>Note (b)(i)</i>)	1,999	–*
Issuance of ordinary shares pursuant to the Capitalisation Issue (<i>Note (b)(iii)</i>)	599,998,000	6,000
Issuance of ordinary shares pursuant to the Share Offer (<i>Note (c)</i>)	200,000,000	2,000
As at 31 December 2018, 1 January 2019 and 31 December 2019	<u>800,000,000</u>	<u>8,000</u>

* The balances represented an amount less than HK\$1,000.

Notes:

- (a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 18 April 2018 with an initial authorised share capital of HK\$100,000 divided into 10,000,000 ordinary shares of HK\$0.01 each and 1 nil-paid share was issued thereafter.
- (b) As part of the Reorganisation for the Listing:
 - (i) On 10 August 2018, 1,999 new ordinary shares and the one issued ordinary share were credited as fully paid.
 - (ii) On 20 August 2018, the authorised share capital was increased from HK\$100,000 divided into 10,000,000 ordinary shares of par value HK\$0.01 each to HK\$15,000,000 divided into 1,500,000,000 ordinary shares of par value HK\$0.01 each, by the creation of an additional 1,490,000,000 shares.
 - (iii) On 20 August 2018, 599,998,000 new ordinary shares of nominal value of HK\$5,999,980 were issued and credited as fully paid, by way of capitalisation from the share premium account of the Company, pursuant to the Capitalisation Issue as detailed in the Prospectus.
- (c) On 12 September 2018, 200,000,000 new ordinary shares of par value of HK\$0.01 each share were issued at a price of HK\$0.4 per share and credited as fully paid pursuant to the Share Offer as detailed in the Prospectus. The gross proceeds amounted to HK\$80,000,000 and the listing costs directly attributable to the issue of shares amounted to approximately HK\$7,332,000. The remaining proceeds amounted to approximately HK\$70,668,000 were credited to the Company's share premium account.
- (d) On 27 February 2018, the same capital of Mannings was increased by HK\$4,999,900 with allotment of 4,999,900 ordinary shares by capitalising HK\$4,999,900 of amounts due to the then shareholder ("Loan Capitalisation").
- (e) In March 2018, as part of the Reorganisation, (i) Richness Universal was authorised to allot and issue, credited as fully paid, a total of 482 ordinary shares of US\$1 each to Pre-IPO Investors at consideration of HK\$12,000,000 ("Pre-IPO Investments"); and (ii) 518 new ordinary shares and 98 new ordinary shares of Richness Universal, credited as fully paid at par, were allotted to Mr. Cheung Kwan Tar and a Pre-IPO Investor respectively, by way of bonus issue ("Bonus Shares").

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are an engineering consultant in Hong Kong with a focus on the field of infrastructure developments. We have accumulated our expertise in different branches of engineering, covering (i) civil engineering mainly comprising road and structural engineering as well as geotechnical engineering; and (ii) traffic engineering.

For the year ended 31 December 2019 (the “Year”), the Group recorded a profit of approximately HK\$16.5 million as compared to the year ended 31 December 2018 during which the Group recorded a loss of approximately HK\$1.4 million. The Directors are of the view that the loss for year ended 31 December 2018 was primarily due to the non-recurring listing expenses amounting to approximately HK\$17.8 million incurred for the year ended 31 December 2018. Setting aside the listing expenses, the Group’s profit for the year ended 31 December 2018 would have been approximately HK\$16.4 million.

OUTLOOK

The Group always strives to improve our operation efficiency and profitability of our business. The Group will also proactively seek opportunities to expand our customer base and our market share and undertake more projects which will enhance value to our shareholders.

The net proceeds from the Share Offer will provide financial resources to the Group to meet and achieve our business objectives and strategies which will further strengthen the Group’s market position in Hong Kong.

FINANCIAL REVIEW

Revenue

Our revenue increased to approximately HK\$100.7 million for the Year by approximately HK\$12.3 million or 13.9%, from approximately HK\$88.4 million for the year ended 31 December 2018. This was principally due to an increase in projects awarded during the Year.

Cost of services

Our cost of services increased to approximately HK\$58.2 million for the Year by approximately HK\$7.8 million or 15.3%, from approximately HK\$50.4 million for the year ended 31 December 2018. The increase in costs was due to the increase in the number of technical staff.

Gross profit

Our gross profit increased to approximately HK\$42.6 million for the Year by approximately HK\$4.6 million or 12.1%, from approximately HK\$38.0 million for the year ended 31 December 2018. The increase was due to an increase in projects awarded during the Year.

Other income

Other income and gain increased by approximately HK\$0.7 million from approximately HK\$0.6 million for the year ended 31 December 2018 to approximately HK\$1.3 million for the Year. The increase was mainly due to the increase in bank interest income.

Administrative expenses

Our administrative expenses decreased to approximately HK\$23.9 million for the Year, by approximately HK\$13.1 million or 35.5%, from approximately HK\$37.0 million for the year ended 31 December 2018. The decrease was mainly due to non-recurring listing expenses of approximately HK\$17.8 million (2019: nil) incurred for the year ended 31 December 2018.

Listing expenses

During the year ended 31 December 2018, the Group recognised non-recurring listing expenses on an accrual basis of approximately HK\$17.8 million (2019: nil).

DIVIDEND POLICY

In deciding whether to propose a dividend and in determining the dividend amount, the following will be taken into account, inter alia:

- (i) the general financial condition of the Group;
- (ii) capital and debt level of the Group;
- (iii) future cash requirements and availability for business operations, business strategies and future development needs;
- (iv) any restrictions on payment of dividends that may be imposed by the Group's lenders;
- (v) the general market conditions; and
- (vi) any other factors that the Board deems appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and any other applicable laws, rule and regulations and amended and restated memorandum and articles of association of the Company. The dividend policy of the Company will be reviewed by the Board from time to time and there can be no assurance that a dividend will be proposed or declared in any specific periods.

DIVIDEND

After taking into account the dividend policy of the Company summarised above, the Board does not recommend the payment of final dividend for the Year (2018: nil).

INTEREST IN COMPETING INTERESTS

None of the Directors, the controlling shareholders of the Company, or any of their respective close associates (as defined in the GEM Listing Rules) is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the Year, and is required to be disclosed pursuant to rule 11.04 of the GEM Listing Rules.

INTEREST OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Grande Capital Limited ("Grande") as the compliance adviser. Except for the compliance adviser agreement entered into between the Company and Grande dated 16 August 2018, neither Grande nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company or in the share capital of any member of the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at the date of this announcement.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

The Board confirms that during the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of corporate transparency and accountability. The Company is committed to achieving and maintaining a high standard of corporate governance, as our Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

The Company's corporate governance practices are based on the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules. To the best knowledge of the Board, except as disclosed herein the Company has complied with the CG Code during the Year and up to the date of this announcement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions by Directors in respect of the shares of the Company (the "Code of Conduct"). After specific enquires by the Company, all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the Year.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Tuesday, 5 May 2020 to Friday, 8 May 2020, both days inclusive, during which no transfer of shares of the Company will be effected. In the case of shares of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on Monday, 4 May 2020.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 20 August 2018. No share option has been granted under the Share Option Scheme since its adoption.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Company's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements of Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on this preliminary announcement.

AUDIT COMMITTEE

The Group established an audit committee (the “Audit Committee”) on 20 August 2018 with written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules and paragraph C.3.3 of the CG Code. The primary duties of our Audit Committee include, among others, (a) making recommendations to our Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing our financial statements, our periodic reports and accounts and significant financial reporting judgements contained therein; and (c) reviewing our financial controls, internal control and risk management systems. Our Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Wan Fung, Mr. Chan Yu Sum Sam and Mr. Chan Kai Kow Macksion. Mr. Chan Wan Fung is the chairman of our Audit Committee.

The annual results of the Company for the Year have been reviewed by the Audit Committee of the Company, which has provided advice and comments thereon.

On behalf of the Board of
Boltek Holdings Limited
Cheung Kwan Tar
Chairman and executive Director

Hong Kong, 20 March 2020

As of the date of this announcement, Mr. Cheung Kwan Tar and Mr. Ng Pak Hung are the executive Directors, and Mr. Chan Kai Kow Macksion, Mr. Chan Yu Sum Sam and Mr. Chan Wan Fung are the independent non-executive Directors.

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 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 website of the Stock Exchange at www.hkexnews.hk on the “Latest Company Announcements” page for at least 7 days from the date of its posting and will be published on the Company’s website at www.boltekholdings.com.