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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

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”) 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.

The board of Directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries for the three months and the nine months ended 30 September 2020, together with the unaudited comparative figures for the three months and the nine months ended 30 September 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2020

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	25,055	23,416	75,940	75,669
Direct costs		<u>(15,925)</u>	<u>(13,467)</u>	<u>(46,153)</u>	<u>(42,183)</u>
Gross profit		9,130	9,949	29,787	33,486
Other income and gain		3,130	171	5,113	701
Administrative expenses		<u>(5,908)</u>	<u>(5,108)</u>	<u>(18,866)</u>	<u>(16,561)</u>
Profit before income tax		6,352	5,012	16,034	17,626
Income tax expenses	5	<u>(499)</u>	<u>(920)</u>	<u>(2,042)</u>	<u>(3,254)</u>
Profit and total comprehensive income for the period attributable to owners of the Company		<u>5,853</u>	<u>4,092</u>	<u>13,992</u>	<u>14,372</u>
Earning per share					
Basic and diluted (HK cents per share)	6	<u>0.73</u>	<u>0.51</u>	<u>1.75</u>	<u>1.80</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

	Share Capital <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2020 (Audited)	<u>8,000</u>	<u>17,000</u>	<u>64,668</u>	<u>37,508</u>	<u>127,176</u>
Profit and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>13,992</u>	<u>13,992</u>
Balance at 30 September 2020 (Unaudited)	<u><u>8,000</u></u>	<u><u>17,000</u></u>	<u><u>64,668</u></u>	<u><u>51,500</u></u>	<u><u>141,168</u></u>

For the nine months ended 30 September 2019

	Share Capital <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2019 (Audited)	8,000	17,000	64,668	21,107	110,775
Adjustment from adoption of HKFRS 16	<u>–</u>	<u>–</u>	<u>–</u>	<u>(100)</u>	<u>(100)</u>
Restated balance as at 1 January 2019	8,000	17,000	64,668	21,007	110,675
Profit and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>14,372</u>	<u>14,372</u>
Balance at 30 September 2019 (Unaudited)	<u><u>8,000</u></u>	<u><u>17,000</u></u>	<u><u>64,668</u></u>	<u><u>35,379</u></u>	<u><u>125,047</u></u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2020

1. CORPORATE INFORMATION

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 address of registered office is located at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is located at 5/F, Winning Commercial Building, 46–48 Hillwood Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in provision of engineering consultancy services in Hong Kong.

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

The Company's shares are listed on GEM of the Stock Exchange on 13 September 2018.

2. BASIS OF PREPARATION AND REORGANISATION

The unaudited condensed consolidated financial statements for the nine months ended 30 September 2020 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands ("HK\$'000"), except where otherwise indicated.

The unaudited condensed consolidated financial statements should be read in conjunction with the audited combined financial information for the year ended 31 December 2019 as set out in the annual report of the Company dated 20 March 2020 ("Annual Report"), the unaudited consolidated financial information for the period ended 30 June 2020 as set out in the interim report of the Company dated 7 August 2020 "Interim Report" and the unaudited consolidated financial information for the period ended 30 September 2019 as set out in the third quarterly report of the Company dated 8 November 2019 ("2019 Third Quarterly Report").

Except as described below, the accounting policies used in the financial highlights for the nine months ended 30 September 2020 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019.

Pursuant to the reorganisation of the Group in connection with the listing of the shares of the Company on GEM (the "Reorganisation"), 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 section headed "History, Reorganisation and Corporate Structure – Reorganisation" in 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.

Accordingly, the unaudited condensed financial statements of the Group have been prepared using the principles of merger accounting in accordance with Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by HKICPA as if the group structure under the Reorganisation had been in existence throughout the period presented, or since their respective dates of incorporation, where it is a shorter period. The assets and liabilities of all the companies now comprising the Group are consolidated using the book values from the Controlling Shareholder's perspective.

3. REVENUE

Revenue, which is also the Group's turnover, represent the engineering consultancy services receipts in the ordinary course of business.

4. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company. The directors regard the Group's business of provision of engineering 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.

5. INCOME TAX EXPENSE

The provision for Hong Kong Profits Tax for the nine months ended 30 September 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the period, except for Mannings, 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 2019.

6. EARNING PER SHARE

The calculation of basic earning per share attributable to equity holders of the Company is based on the following:

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earning				
Profit for the period attributable to equity holders of the Company	<u>5,853</u>	<u>4,092</u>	<u>13,992</u>	<u>14,372</u>
Number of shares				
Weighted average number of ordinary shares (<i>in thousands</i>)	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>

There were no dilutive potential ordinary shares during the nine months ended 30 September 2020 and 2019 and therefore, diluted earning per share equals to basic earning per share.

Diluted earnings per share

The Group has no potentially dilutive ordinary shares in issue during the three months and nine months ended 30 September 2020 and 2019. Diluted earnings per share for the three months and nine months ended 30 September 2020 and 2019 were the same as the basic earnings per share.

7. DIVIDEND

No dividends have been proposed or paid by the Company or any of its subsidiaries during the nine months ended 30 September 2020 (nine months ended 30 September 2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

DEVELOPMENT OF BUSINESS AND PROSPECTS

The Group is an engineering consultant in Hong Kong with a focus on the field of infrastructure developments.

For the nine months ended 30 September 2020, the Group recorded a net profit of approximately HK\$14.0 million as compared to a net profit of approximately HK\$14.4 million for the same period in 2019. The Directors are of the view that the decrease was primarily due to social situations and the outbreak of novel coronavirus (“COVID-19”) which affected the progress of several on-going projects and due to the overall global and Hong Kong economic downturn and the increase in staff cost. In the view of fact that there has been an increasing number of project quotation invitations received by the Group from potential and current customers, and the net proceeds from the share offer are expected to allow expansion of the Group’s operational capacity, the Directors are cautiously optimistic about the Group’s business outlook.

OUTLOOK

The shares of the Company were listed on GEM on 13 September 2018 (the “Listing Date”) by way of share offer (the “Share Offer”). 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\$75.9 million for the nine months ended 30 September 2020 by approximately HK\$0.3 million or 0.4%, from approximately HK\$75.7 million for the corresponding period ended 30 September 2019. This was principally due to increased amounts of contracts awarded during the nine months ended 30 September 2020 outweighed the effect of the social situations and the outbreak of COVID-19 which affected the progress of several ongoing projects and the overall global and Hong Kong economic downturn.

Costs of Revenue

Our costs of revenue increased to approximately HK\$46.2 million for the nine months ended 30 September 2020 by approximately HK\$4.0 million or 9.4%, from approximately HK\$42.2 million for the corresponding period ended 30 September 2019. The increase in costs was mainly due to an increase in direct labour cost.

Gross Profit

Our gross profit decreased to approximately HK\$29.8 million for the nine months ended 30 September 2020 by approximately HK\$3.7 million or 11.0%, from approximately HK\$33.5 million for the corresponding period ended 30 September 2019. The decrease was substantially due to the increase in direct labor cost.

Administrative Expenses

Our administrative expenses increased to approximately HK\$18.9 million for the nine months ended 30 September 2020, by approximately HK\$2.3 million or 13.9%, from approximately HK\$16.6 million for the corresponding period ended 30 September 2019. The increase was mainly due to the increase in number of staff.

Dividend

The Board does not recommend the payment of dividend for the nine months ended 30 September 2020 (nine months ended 30 September 2019: nil).

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the controlling shareholders or substantial shareholders of the Company or any of its respective close associates (as defined in the GEM Listing Rules) has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, or has any other conflict of interests with the Group as required to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules during the nine months ended 30 September 2020.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Grande Capital Limited (“Grande”) to be the compliance adviser. As notified by Grande, as at 30 September 2020, save for the compliance adviser agreement dated 16 August 2018 entered into between the Company and Grande, neither Grande, its directors, employees and close associates had any interest in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

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 nine months ended 30 September 2020.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

Directors' and Chief Executive's Interests and Short Positions in the Shares, the Underlying Shares or Debentures of the Company and its Associated Corporations

As at 30 September 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the required standard of dealings as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company

Name of Director	Nature of interest	Number of the shares held/ interested	Percentage of shareholding
Cheung Kwan Tar	Interest in a controlled corporation (<i>Note</i>)	426,000,000	53.25%

Note: These shares were held by Waywin Investment Holding Limited ("Waywin"), a controlled corporation of Mr. Cheung Kwan Tar.

Long positions in ordinary shares of associated corporation – Waywin

Name of Director	Nature of interest	Number of shares held/ interested	Percentage of shareholding
Cheung Kwan Tar	Beneficial owner	1	100%

Saved as disclosed above, as at 30 September 2020, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO.

Substantial Shareholders' Interests and Other Persons' Interests and Short Positions in the Shares, and Underlying Shares of the Company

As at 30 September 2020, the following parties (other than the Directors or the chief executive of the Company) had interests of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in ordinary shares of the Company

Name of substantial shareholder	Nature of interest	Number of shares held/interested	Percentage of shareholding
Cheung Kwan Tar	Interest in a controlled corporation (<i>Note 1</i>)	426,000,000	53.25%
Chiu Chui Ping	Interest of spouse (<i>Note 2</i>)	426,000,000	53.25%
Waywin Investment Holding Limited	Beneficial owner	426,000,000	53.25%
Cheng Chi Heng	Beneficial owner	58,800,000	7.35%
Polar Lights Limited	Beneficial owner	57,600,000	7.20%
Wong Che Shing	Interest in a controlled corporation (<i>Note 3</i>)	57,600,000	7.20%
Lam Mi Yung	Interest of spouse (<i>Note 4</i>)	57,600,000	7.20%
Twinkle Galaxy Limited	Beneficial owner	57,600,000	7.20%
Lam Kwan Yuen	Interest in a controlled corporation (<i>Note 5</i>)	57,600,000	7.20%
Qiu Jianlian	Interest of spouse (<i>Note 6</i>)	57,600,000	7.20%

Notes:

1. These shares were held by Waywin, a controlled corporation of Mr. Cheung Kwan Tar.
2. Ms. Chiu Chui Ping was deemed to be interested in 426,000,000 shares of the Company through the interest of her spouse, Mr. Cheung Kwan Tar.
3. These shares were held by Polar Lights Limited, a controlled corporation of Mr. Wong Che Shing.

4. Ms. Lam Mi Yung was deemed to be interested in 57,600,000 shares of the Company through the interest of her spouse, Mr. Wong Che Shing.
5. These shares were held by Twinkle Galaxy Limited, a controlled corporation of Mr. Lam Kwan Yuen.
6. Ms. Qiu Jianlian was deemed to be interested in 57,600,000 shares of the Company through the interest of her spouse, Mr. Lam Kwan Yuen.

Save as disclosed above, as at 30 September 2020, the Company is not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

CORPORATE GOVERNANCE PRACTICE

The Company is committed to achieving a high standard of corporate governance practices in enhancing the confidence of shareholders, investors, employees, creditors and business partners and also the growth of its business. The Board has and will continue to review and improve the Company's corporate governance practices from time to time in order to increase its transparency and accountability to shareholders. The Company has adopted the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules as its own corporate governance code since 13 September 2018.

The code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

Mr. Cheung Kwan Tar currently assumes the role of both chairman of the Board and chief executive officer of the Company. The Board considers that both roles being held by Mr. Cheung will provide a strong and consistent leadership to the Company which will facilitate effective planning and efficient management of the Company. Furthermore, having considered Mr. Cheung's extensive experience in the engineering industry, the relationships Mr. Cheung has built with customers and the historical development of the Group, the Board considers that it is beneficial for the Group to have Mr. Cheung continue to act as both chairman and chief executive officer of the Company. In order to maintain good corporate governance and fully comply with the code provision A.2.1 of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately. The Company has, except as disclosed above and so far as applicable, principally complied with the CG Code throughout the nine months ended 30 September 2020.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in the Company. No incidence of non-compliance was noted for the nine months ended 30 September 2020 and up to the date of this announcement.

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.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules (the “Audit Committee”). The primary duties of the Audit Committee include, among others, (a) making recommendations to the Board on the appointment, reappointment 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. As at the date of this announcement, the Audit Committee comprises of three independent non-executive Directors, namely Mr. Chan Wan Fung, Mr. Chan Yu Sum Sam and Mr. Chan Kai Kow Macksion.

The unaudited third quarterly results of the Company for the nine months ended 30 September 2020 have not been audited by the Company’s independent auditors, but have been reviewed by the Audit Committee members who have provided advice and comments thereon.

By order of the Board
Boltek Holdings Limited
Cheung Kwan Tar
Chairman and executive Director

Hong Kong, 9 November 2020

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

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.