



BASETROPHY GROUP HOLDINGS LIMITED

基地錦標集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8460

2022

**THIRD QUARTERLY
REPORT**

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This report, for which the directors (the “**Directors**”) of Basetrophy Group Holdings Limited (the “**Company**”) and 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 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.*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2022

Unaudited third quarterly results

The unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2022, together with the unaudited comparative figures for the corresponding periods in 2021, are as follows:

	Note	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue	4	14,599	18,103	62,998	57,588
Cost of sales		(11,372)	(15,500)	(54,468)	(50,384)
Gross profit		3,227	2,603	8,530	7,204
Other income and other gain	4	680	3,275	1,138	4,278
Administrative and other operating expenses	5	(3,509)	(2,829)	(8,547)	(7,517)
Operating profit		398	3,049	1,121	3,965
Finance costs		(112)	(203)	(359)	(642)
Profit before income tax		286	2,846	762	3,323
Income tax expense	6	(197)	(221)	(502)	(527)
Profit and total comprehensive income for the period attributable to owners of the Company		89	2,625	260	2,796
Basic and diluted earnings per share (HK cent)	7	0.08	(Restated) 2.63	0.23	(Restated) 2.80

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 <i>(Note a)</i>	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 1 January 2021 (Audited)	10,000	44,049	1	7,445	61,495
Profit and total comprehensive income for the period	—	—	—	2,796	2,796
Balance at 30 September 2021 (Unaudited)	10,000	44,049	1	10,241	64,291

For the nine months ended 30 September 2022

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 <i>(Note a)</i>	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 1 January 2022 (Audited)	11,000	47,217	1	8,031	66,249
Issue of ordinary shares	2,000	—	—	—	2,000
Profit and total comprehensive income for the period	—	—	—	260	260
Balance at 30 September 2022 (Unaudited)	13,000	47,217	1	8,291	68,509

Note:

- a) Other reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the reorganisation.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 General Information

The Company was incorporated in the Cayman Islands on 4 January 2016 as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands and its shares were listed on GEM of the Stock Exchange on 27 June 2017 (the "**Listing Date**"). Its parent and ultimate holding company is Brightly Ahead Limited ("**Brightly Ahead**"), a company incorporated in the British Virgin Islands ("**BVI**") and wholly-owned by Mr. Lau Chung Ho ("**Mr. Lau**"). Each of Brightly Ahead and Mr. Lau is a controlling shareholder of the Company (the "**Controlling Shareholder(s)**").

The address of the Company's registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and the Company's principal place of business is Unit 18, 29th Floor, New Tech Plaza, 34 Tai Yau Street, San Po Kong, Hong Kong. The Company is an investment holding company. The Group is principally engaged in the provision of foundation and related works.

The shares of the Company (the "**Share(s)**") were listed on GEM by way of public offering on the Listing Date.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("**HK\$**"), unless otherwise stated.

2 Basis of preparation and presentation

The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2022 have been prepared in accordance with the Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure provisions of the GEM Listing Rules. The unaudited condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (the "**HKFRSs**") issued by the HKICPA. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

3 Estimates

The preparation of the unaudited condensed consolidated financial statements requires the management of the Company (the "Management") to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the unaudited condensed consolidated financial statements, the significant judgements made by the Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2021.

4 Revenue, other income and other gain and segment information

Revenue and other income and other gain recognised during the respective periods are as follows:

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue				
Foundation and related works	14,599	18,103	62,998	57,588

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Other income and other gain				
Government subsidy (<i>Note</i>)	—	—	—	36
Rental income	—	739	360	1,659
Fair value change on assets at fair value through profit or loss	18	25	80	72
Gain on disposal of property, plant and equipment	—	2,511	—	2,511
Others	662	—	698	—
	680	3,275	1,138	4,278

Note: Government subsidy relates to cash subsidy granted by the Government of the Hong Kong Special Administrative Region under the Anti-epidemic Fund with conditions having been satisfied.

Segment information

The chief operating decision-maker has been identified as the board of Directors (the “Board”) of the Company. The Board regards the Group’s business as a single operating segment and reviews the Group’s financial statements accordingly. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

5 Expenses by nature

	Unaudited		Unaudited	
	Three months ended 30 September	2021	Nine months ended 30 September	2021
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Auditors' remuneration	170	170	510	510
Depreciation of property, plant and equipment	1	272	3	281
Depreciation of right-of-use assets	42	73	179	219
Leasing expenses	28	2	59	6
Reversal of impairment losses on financial assets and contract assets	(39)	(208)	(296)	(252)
Staff costs, including directors' emoluments	1,345	1,135	3,447	3,197
Other expenses	1,962	1,385	4,645	3,556
	3,509	2,829	8,547	7,517

6 Income tax expense

Hong Kong profits tax has been provided at the rate of 8.25% for the first HK\$2 million of assessable profits and 16.5% for the assessable profits above HK\$2 million for the three months and nine months ended 30 September 2022 respectively.

The amount of income tax expense charged to the unaudited condensed consolidated statement of profit or loss and other comprehensive income represents:

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Current income tax — Hong Kong profits tax	689	141	689	141
Deferred income tax	(492)	80	(187)	386
Income tax expense	197	221	502	527

7 Earnings per share

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2022	2021	2022	2021
Profit for the period attributable to owners of the Company (HK\$'000)	89	2,625	260	2,796
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	112,772	(Restated) 100,000	110,934	(Restated) 100,000
Basic earnings per share (HK cent)	0.08	2.63	0.23	(Restated) 2.80

Diluted earnings per share is equal to the basic earnings per share as there was no dilutive potential shares.

The weighted average number of ordinary shares for the purpose of basic earnings per share have been adjusted as follows:

- (a) Pursuant to an ordinary resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company held on 7 July 2022, every ten (10) issued and unissued existing ordinary share(s) of HK\$0.01 each in the share capital of the Company be consolidated into one (1) ordinary share of HK\$0.1 each ("**Consolidated Share(s)**"), so that the authorised share capital of the Company of HK\$30,000,000 divided into 3,000,000,000 ordinary shares of HK\$0.01 each becomes HK\$30,000,000 divided into 300,000,000 ordinary shares of HK\$0.1 each (the "**Share Consolidation**"). The Share Consolidation took effect on 11 July 2022.
- (b) On 11 August 2022, 5,000,000 new Consolidated Shares were allotted and issued by the Company to Subscriber 2 upon the completion of the conditions precedent as set out in the Subscription Agreement 2 (as amended by the Supplemental Subscription Agreements).

For further details, please refer to the announcements of the Company dated 31 May 2022, 15 July 2022, 29 July 2022 and 11 August 2022.

8 Dividends

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is (i) a contractor of foundation works in Hong Kong capable of foundation jobs, which mainly include excavation and lateral support (ELS) works, sheet piling, pipe piling, pre-boring, pre-bored H-piling, mini-piling, and bored piling; and (ii) a subcontractor for site formation works and other geotechnical engineering works such as slope works and other minor geotechnical works such as shotcreting.

The shares of the Company were listed on GEM on the Listing Date.

For the nine months ended 30 September 2022 (the “**Period**”), the Group recorded a net profit of approximately HK\$0.26 million as compared to a net profit of approximately HK\$2.8 million for the same period in 2021.

Outlook

The Directors are of the view that the general outlook of the industry and the business environment in which the Group operates remain difficult and challenging. Since January 2020, the outbreak of COVID-19 has had a drastic effect on the Hong Kong economy and imposed negative impacts on the construction industry, including, but not limited to, supply chain disruptions, workforce shortages due to illness and preventative quarantines and work stoppages measures imposed by the Government of the Hong Kong Special Administrative Region. The Group has not encountered or experienced any material difficulty and/or delay in the completion of the projects to of its customers and subcontractors and has not experienced or encountered any material supply chain disruptions of its suppliers due to the outbreak of COVID-19. The Group will closely monitor its existing projects’ progress and communicate with suppliers and subcontractors, maintain close communication with customers on the latest project work schedules and arrangements, proactively follow up with potential customers on tenders and quotations submitted, and actively respond to any business enquiries, tender and quotation invitations to maintain market competitiveness. The Group will continue to strive to improve its operational efficiency and business profitability and will also proactively seek for potential business opportunities that can broaden the sources of income of the Group and enhance value to the shareholders of the Company.

Financial Review

Revenue

The Group’s revenue increased by approximately 9% from approximately HK\$57.6 million for the nine months ended 30 September 2021 to approximately HK\$63.0 million for the Period.

The sales growth has slowed down during the Period because the majority of such growth was mainly contributed from the first six months of the financial year, attributable to sizable projects with large contract value completed.

Costs of Sales

The Group's cost of sales increased from approximately HK\$50.4 million for the nine months ended 30 September 2021 to approximately HK\$54.5 million for the Period, which was generally consistent with the increase in revenue during the Period.

Gross Profit and Gross Profit Margin

The Group's gross profit for the Period was approximately HK\$8.5 million, representing an increase of approximately 18% from approximately HK\$7.2 million for the nine months ended 30 September 2021. The Group's gross profit margin for the Period was approximately 13.5%, representing an increase of approximately 1.0% as compared to approximately 12.5% for the nine months ended 30 September 2021. Such increase was mainly attributable to the decisive cost control initiatives taken by the Management.

Other income and other gain

The Group's other income and other gain decreased by approximately 73% from approximately HK\$4.3 million for the nine months ended 30 September 2021 to approximately HK\$1.1 million for the Period, primarily due to the decrease in rental income and the absence of the one-off disposal of property, plant and equipment incurred for the Period as compared to the same period in 2021.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses for the Period were approximately HK\$8.5 million, representing an increase of approximately 14% from approximately HK\$7.5 million for the nine months ended 30 September 2021. The increase was primarily attributable to the increase in staff costs and other expenses.

Profit for the Period

For the Period, the Group recorded profit attributable to owners of the Company of approximately HK\$0.26 million as compared to profit for the nine months ended 30 September 2021 of approximately HK\$2.8 million.

Dividend

The Board does not recommend the payment of dividend for the Period.

OTHER INFORMATION

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 30 September 2022, 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 (Chapter 571 of the Laws of Hong Kong) (the "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 are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"), were as follows:

Long position in shares of the Company

Name	Capacity/Nature of interest	Number of Shares held/interested	Percentage of shareholding
Mr. Lau <i>(Note)</i>	Interested in a controlled corporation	51,000,000	44.35%

Note: Mr. Lau beneficially owns the entire issued share capital of Brightly Ahead. Therefore, Mr. Lau is deemed, or taken to be, interested in all the Shares held by Brightly Ahead for the purpose of the SFO. Mr. Lau is the sole director of Brightly Ahead.

Save as disclosed above, as at 30 September 2022, none of the Directors and chief executive of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings.

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

As at 30 September 2022, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other members of the Group:

Long position in shares of the Company

Name	Capacity/Nature of interest	Number of Shares held/interested	Percentage of shareholding
Brightly Ahead	Beneficial owner	51,000,000	44.35%

Save as disclosed above, as at 30 September 2022, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section "Other information — Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other members of the Group.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares during the Period.

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 Group during the Period.

Directors' Securities Transactions

The Company has adopted the Required Standard of Dealings. As the code of conduct for securities transactions by the Directors in respect of the securities of the Company. Having made specific enquiry of all Directors, each Director has confirmed that he/she complied with the Required Standard of Dealings and the code of conduct for securities transactions by the Directors adopted by the Company during the Period.

Share Option Scheme

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 7 June 2017 to attract and retain the best available personnel, to provide additional incentive to the eligible participants and to promote the success of the business of the Group under the Scheme.

For the Period, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

Corporate Governance Practice

The Directors are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has adopted the Corporate Governance Code (the "**CG Code**") set out in Appendix 15 of the GEM Listing Rules. During the Period, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

Audit Committee

Pursuant to Rules 5.28 and 5.29 of the GEM Listing Rules and code provision D.3.3 and D.3.7 of the CG Code, the Company established the audit committee of the Board (the “**Audit Committee**”) with written terms of reference aligned with the provision of the code provisions set out in Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this report, the Audit Committee comprises of Mr. Ng Ki Man (the chairman of the Audit Committee), Mr. Lam Chee-yau Timothy and Mr. Ngok Ho Wai, all of whom are independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange’s website and on the Company’s website.

The Audit Committee has reviewed with the Management of the Company the accounting principles and practices adopted by the Group and the third quarterly report of the Group for the Period. The condensed consolidated financial results for the Period are unaudited, but have been reviewed by the Audit Committee. Such results comply with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

By order of the Board
Basetrophy Group Holdings Limited
Lau Chung Ho
Executive Director

Hong Kong, 7 November 2022

As at the date of this report, the Board comprises Mr. Lau Chung Ho, Mr. Leung Yat Fai Frankie Keith, Ms. Fong Pui Yin Vivian, Ms. Du Wanfen and Mr. Li Aiming as executive Directors; and Mr. Ng Ki Man, Mr. Lam Chee-yau Timothy and Mr. Ngok Ho Wai as independent non-executive Directors.