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## **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)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **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 announcement, 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 (the “**GEM Listing Rules**”) of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement misleading.*

## FINAL RESULTS

The board of Directors (the “**Board**”) of the Company hereby announces the audited consolidated financial results of the Group for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	<b>86,480</b>	88,812
Cost of sales and service	4	<u><b>(70,216)</b></u>	<u>(77,899)</u>
Gross profit		<b>16,264</b>	10,913
Other income and other gain	3	<b>1,496</b>	4,509
Administrative and other operating expenses	4	<b>(11,682)</b>	(10,718)
Net impairment losses on trade and other receivables and contract assets		<u><b>(12,555)</b></u>	<u>(2,742)</u>
Operating (loss)/profit		<b>(6,477)</b>	1,962
Finance costs		<u><b>(563)</b></u>	<u>(826)</u>
(Loss)/profit before income tax		<b>(7,040)</b>	1,136
Income tax credit/(expense)	5	<u><b>562</b></u>	<u>(550)</u>
(Loss)/profit for the year		<u><b>(6,478)</b></u>	<u>586</u>
<b>Other comprehensive income:</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		<u><b>27</b></u>	<u>–</u>
Other comprehensive income for the year, net of tax		<u><b>27</b></u>	<u>–</u>
<b>Total comprehensive (expense)/income</b>		<u><b>(6,451)</b></u>	<u>586</u>

	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/profit attributable to:			
Equity holders of the Company		<b>(6,518)</b>	586
Non-controlling interests		<b>40</b>	–
		<u><b>(6,478)</b></u>	<u>586</u>
Total comprehensive (expense)/income attributable to:			
Equity holders of the Company		<b>(6,504)</b>	586
Non-controlling interests		<b>53</b>	–
		<u><b>(6,451)</b></u>	<u>586</u>
			(Restated)
(Loss)/earnings per share attributable to the equity holders of the Company during the year			
Basic and diluted ( <i>HK cent</i> )	6	<u><b>(5.82)</b></u>	<u>0.6</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		14,322	13,509
Right-of-use assets		2,056	347
Payment for a life insurance policy		2,817	2,745
		<u>19,195</u>	<u>16,601</u>
<b>Current assets</b>			
Inventories		4,112	–
Trade and other receivables	8	17,194	17,642
Contract assets		59,772	64,562
Tax recoverable		1,084	–
Cash and bank balances		4,147	4,352
		<u>86,309</u>	<u>86,556</u>
<b>Total assets</b>		<u><b>105,504</b></u>	<u><b>103,157</b></u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	9	11,500	11,000
Reserves		49,784	55,249
		<u>61,284</u>	<u>66,249</u>
Equity attributable to owners of the Company		61,284	66,249
<b>Non-controlling interests</b>		<u>323</u>	<u>–</u>
<b>Total equity</b>		<u><b>61,607</b></u>	<u><b>66,249</b></u>

	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		3,494	–
Lease liabilities		963	136
Deferred tax liabilities		797	1,372
		<u>5,254</u>	<u>1,508</u>
<b>Current liabilities</b>			
Trade and other payables	<i>10</i>	23,635	23,764
Tax payable		–	475
Borrowings		11,698	10,947
Lease liabilities		1,092	214
Contract liabilities		500	–
Amount due to non-controlling interests		1,718	–
		<u>38,643</u>	<u>35,400</u>
<b>Total liabilities</b>		<u>43,897</u>	<u>36,908</u>
<b>Total equity and liabilities</b>		<u>105,504</u>	<u>103,157</u>
<b>Net current assets</b>		<u>47,666</u>	<u>51,156</u>
<b>Total assets less current liabilities</b>		<u>66,861</u>	<u>67,757</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2022*

## 1 GENERAL INFORMATION AND BASIS OF PRESENTATION

Basetrophy Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 4 January 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 27 June 2017. 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**”), the controlling party of the Company.

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 Company and its subsidiaries (the “**Group**”) is principally engaged in provision of foundation and related works in Hong Kong and trading of alcoholic beverages in the People’s Republic of China (the “**PRC**”).

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 31 March 2023.

## 2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for the financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with 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.

***Amendments to HKFRSs that are mandatorily effective for the current year***

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

***New and amendments to HKFRSs in issue but not yet effective***

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants (2022) <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or 1 January 2024.

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group in the foreseeable future.

### 3 REVENUE, OTHER INCOME AND OTHER GAIN AND SEGMENT INFORMATION

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Revenue</b>		
Foundation and related works	86,178	88,812
Sales of alcoholic beverages	302	–
	<u>86,480</u>	<u>88,812</u>
<b>Other income and other gain</b>		
Fair value change on assets at fair value through profit or loss	72	95
Gain on disposal of property, plant and equipment	–	2,511
Gain on early termination of lease	–	14
Gain on bargain purchase	281	–
Government grants ( <i>note</i> )	740	–
Rental income	360	1,889
Others	43	–
	<u>1,496</u>	<u>4,509</u>

*Note:*

Under Anti-Epidemic Fund launched by the Hong Kong SAR government, wage subsidies of approximately HK\$740,000 related to the Employment Support Scheme were recognised in the year ended 31 December 2022.

#### Disaggregation of revenue from contracts with customers

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Represented by:		
<b>Timing of revenue recognition</b>		
At a point in time	302	–
Over time	86,178	88,812
	<u>86,480</u>	<u>88,812</u>
<b>Types of goods or service</b>		
Foundation and related works	86,178	88,812
Sales of alcoholic beverages	302	–
	<u>86,480</u>	<u>88,812</u>



### Performance obligations for contracts with customers

- i) The Group provides services of foundation and site formation works and other geotechnical engineering works to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue for these works is therefore recognised over time using output method, i.e. based on surveys of the relevant services completed by the Group to date with reference to certificates issued by customers or payment applications confirmed by internal surveyor. The directors of the Company consider that output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations in these contracts under HKFRS 15.
- ii) Revenue from alcoholic beverages trading is recognised when the control of goods is transferred, being when the goods are delivered to the customer's specific location. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the Group's right to consideration becomes unconditional, as only the passage of time is required before payment is due. The contracts signed with the customers are fixed price contracts.

### Transaction price allocated to the remaining performance obligations from contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and the expected timing of recognising revenue are as follows:

	<b>Foundation and related works HK\$'000</b>
Within 1 year	<b><u>49,058</u></b>

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and the expected timing of recognising revenue are as follows:

	Foundation and related works HK\$'000
Within 1 year	<u>45,250</u>

## Segment information

The management has determined the operating segments based on the reports reviewed by the directors of the Company, being the chief operating decision maker (the “CODM”) that are used to assess performance and allocate resources. The management assesses the performance of the following operating segments as below:

- |      |                                       |   |
|------|---------------------------------------|---|
| (i)  | Foundation and related works business | Provides services of foundation and site formation works and other geotechnical engineering works to customers. |
| (ii) | Alcoholic beverages trading business  | Trading and distribution of alcoholic beverages   |

The segment revenue and results for the year ended 31 December 2022 are as follows:

	<b>Foundation and related works HK\$'000</b>	<b>Alcoholic beverages trading HK\$'000</b>	<b>Unallocated HK\$'000</b>	<b>Total HK\$'000</b>
<b>Revenue from external customers</b>	<b>86,178</b>	<b>302</b>	<b>–</b>	<b>86,480</b>
Segment results	<b>(1,773)</b>	<b>95</b>	<b>(4,799)</b>	<b>(6,477)</b>
Finance costs				<b>(563)</b>
<b>Loss before income tax</b>				<b>(7,040)</b>
Income tax credit ( <i>Note 5</i> )				<b>562</b>
<b>Loss for the year</b>				<b>(6,478)</b>
Other segment items included in the consolidated statement of profit or loss are as follows:				
Fair value change on assets at fair value through profit or loss	–	–	<b>(72)</b>	<b>(72)</b>
Depreciation of property, plant and equipment	<b>2,718</b>	–	–	<b>2,718</b>
Depreciation of right-of-use assets	<b>210</b>	–	–	<b>210</b>
Provision for impairment of trade receivables	<b>418</b>	–	–	<b>418</b>
Provision for impairment of contract assets	<b>12,137</b>	–	–	<b>12,137</b>

The segment revenue and results for the year ended 31 December 2021 are as follows:

	Foundation and related works <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue from external customers</b>	<u>88,812</u>	<u>–</u>	<u>88,812</u>
Segment results	<u>6,107</u>	<u>(4,145)</u>	<u>1,962</u>
Finance costs			(826)
<b>Profit before income tax</b>			1,136
Income tax expense ( <i>Note 5</i> )			<u>(550)</u>
<b>Profit for the year</b>			<u><u>586</u></u>
Other segment items included in the consolidated statement of profit or loss are as follows:			
Fair value change on assets at fair value through profit or loss	–	(95)	(95)
Depreciation of property, plant and equipment	3,891	–	3,891
Depreciation of right-of-use assets	1,181	–	1,181
Reversal of provision for impairment of trade receivables	(251)	–	(251)
Provision for impairment of contract assets	<u>2,993</u>	<u>–</u>	<u>2,993</u>

The following is an analysis of the Group's assets and liabilities by reportable segment:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Segment assets</b>		
Foundation and related works	<b>91,143</b>	93,801
Alcoholic beverages trading	<b>4,998</b>	–
<b>Total reportable segment assets</b>	<b>96,141</b>	93,801
Unallocated corporate assets	<b>9,363</b>	9,356
<b>Consolidated assets</b>	<b>105,504</b>	103,157

*Note:* All assets are allocated to operating segments other than certain cash and bank balances and payment for a life insurance policy.

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Segment liabilities</b>		
Foundation and related works	<b>38,318</b>	34,368
Alcoholic beverages trading	<b>2,611</b>	–
<b>Total reportable segment liabilities</b>	<b>40,929</b>	34,368
Unallocated corporate liabilities	<b>2,968</b>	2,540
<b>Consolidated liabilities</b>	<b>43,897</b>	36,908

*Note:* All liabilities are allocated to operating segments other than deferred tax liabilities and tax payable.

Information about the Group's revenue from external customers is presented based on the location of operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	<b>Revenue from external customers</b>		<b>Non-current assets</b>	
	<b>For the year ended</b>		<b>As at 31 December</b>	
	<b>31 December</b>			
	<b>2022</b>	2021	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The PRC	302	–	–	–
Hong Kong	<u>86,178</u>	<u>88,812</u>	<u>16,378</u>	<u>13,856</u>
	<u><b>86,480</b></u>	<u>88,812</u>	<u><b>16,378</b></u>	<u>13,856</u>

*Note:* Non-current assets excluded payment for a life insurance policy.

#### **Information about major customers**

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	<b>21,043</b>	N/A <sup>1</sup>
Customer B	<b>17,154</b>	N/A <sup>1</sup>
Customer C	<b>10,026</b>	13,476
Customer D	N/A <sup>1</sup>	12,656
Customer E	N/A <sup>1</sup>	15,643
Customer F	N/A <sup>1</sup>	15,438
Customer G	<u>N/A<sup>1</sup></u>	<u>32,915</u>

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group during the corresponding years.

#### 4 EXPENSES BY NATURE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of sales and service		
Staff costs	15,802	13,413
Depreciation of property, plant and equipment	2,687	3,877
Depreciation of right-of-use assets	–	888
Leasing expenses	1,103	864
Cost of alcoholic beverages expensed	94	–
Other construction contract costs ( <i>Note</i> )	50,530	58,857
	<u>70,216</u>	<u>77,899</u>
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Administrative and other operating expenses		
Auditors' remuneration	680	680
Depreciation of property, plant and equipment	31	14
Depreciation of right-of-use assets	210	293
Leasing expenses	85	9
Staff costs	4,345	4,470
Other expenses	6,331	5,252
	<u>11,682</u>	<u>10,718</u>

*Note:* Other construction contract costs included but are not limited to construction materials, subcontracting charges and repair and maintenance.

## 5 INCOME TAX (CREDIT)/EXPENSE

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the year.

No provision for Hong Kong Profits tax has been made as the Group did not generate any assessable profits during the year ended 31 December 2022.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong Profits Tax:		
– Current income tax	–	475
– PRC Enterprise Income Tax	13	–
Deferred tax (credit)/expense	<u>(575)</u>	<u>75</u>
Income tax (credit)/expense	<u><u>(562)</u></u>	<u><u>550</u></u>

## 6 (LOSS)/EARNINGS PER SHARE

	2022	2021
(Loss)/profit attributable to owners of the Company ( <i>HK\$'000</i> )	<u><u>(6,518)</u></u>	<u><u>586</u></u>
		(Restated)
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share ( <i>in thousand</i> )	<u><u>111,959</u></u>	<u><u>101,589</u></u>
Basic (loss)/earnings per share ( <i>HK cent</i> )	<u><u>(5.82)</u></u>	<u><u>0.6</u></u>

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

The weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share has been adjusted for the share consolidation on 11 July 2022.

## 7 DIVIDENDS

No final dividend was proposed by the Board for the year ended 31 December 2022 (2021: Nil).

## 8 TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	7,287	8,597
Less: Provision for impairment losses	<u>(1,238)</u>	<u>(820)</u>
	6,049	7,777
Other receivables, deposits and prepayments	<u>11,145</u>	<u>9,865</u>
	<u><u>17,194</u></u>	<u><u>17,642</u></u>

### Notes:

- (a) The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. Trade receivables are mainly denominated in HK\$.
- (b) The ageing analysis of the trade receivables based on date of payment certificates issued by customers or invoice date is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	1,842	3,505
31–60 days	1,076	723
61–90 days	–	–
Over 90 days	<u>4,369</u>	<u>4,369</u>
	<u><u>7,287</u></u>	<u><u>8,597</u></u>

As at 31 December 2022, trade receivables of approximately HK\$4,369,000 (2021: approximately HK\$4,369,000) were past due. Based on past experience and forward-looking estimates, the amounts are considered as recoverable.

- (c) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.



## 9 SHARE CAPITAL

	<i>Notes</i>	<b>Ordinary shares of HK\$0.01 each</b>	<b>Ordinary shares of HK\$0.1 each</b>	<b>Amount HK\$'000</b>
<b>Authorised:</b>				
At 1 January 2021, 31 December 2021 and 1 January 2022		3,000,000,000	–	30,000
Share consolidation	<i>(ii)</i>	<u>(3,000,000,000)</u>	<u>300,000,000</u>	<u>–</u>
<b>At 31 December 2022</b>		<u>–</u>	<u>300,000,000</u>	<u>30,000</u>
<b>Issued and fully paid:</b>				
At 1 January 2021		1,000,000,000	–	10,000,000
Issue of shares	<i>(i)</i>	<u>100,000,000</u>	<u>–</u>	<u>1,000,000</u>
At 31 December 2021 and 1 January 2022		1,100,000,000	–	11,000,000
Share consolidation	<i>(ii)</i>	<u>(1,100,000,000)</u>	<u>110,000,000</u>	<u>–</u>
Issue of ordinary shares	<i>(iii)</i>	<u>–</u>	<u>5,000,000</u>	<u>500,000</u>
<b>At 31 December 2022</b>		<u>–</u>	<u>115,000,000</u>	<u>11,500,000</u>

### *Notes:*

- (i) On 4 November 2021, the Company allotted and issued 100,000,000 ordinary shares of HK\$0.01 each in the capital of the Company by way of placing at a placing price of HK\$0.043 per share. The Company raised approximately HK\$4,168,000 (net of expenses).
- (ii) On 11 July 2022, the Company consolidated every ten issued and unissued shares of par value HK\$0.01 each in the share capital of the Company into one consolidated share of par value HK\$0.10 each in the share capital of the Company.
- (iii) On 11 August 2022, the Company allotted and issued 5,000,000 ordinary shares of HK\$0.1 each in the capital of the Company at a subscription price of HK\$0.4 per share. The Company raised approximately HK\$1,539,000 (net of expenses).

## 10 TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	10,052	11,578
Accrued employee benefit expenses	1,938	1,805
Other accruals and payables	6,191	2,893
Retention payables	5,454	7,488
	<u>23,635</u>	<u>23,764</u>

*Note:*

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	3,455	2,347
31–60 days	759	3,895
61–90 days	674	707
Over 90 days	5,164	4,629
	<u>10,052</u>	<u>11,578</u>

All of the retention payables are expected to be settled within one year.

## 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; (ii) a subcontractor for site formation works and other geotechnical engineering works such as slope works and other minor geotechnical works such as shotcreting; and (iii) trading of alcoholic beverages in the PRC.

The shares of the Company were listed on GEM of the Stock Exchange on 27 June 2017 (the “**Listing Date**”) by way of public offer.

For the year ended 31 December 2022, the Group recorded a net loss of approximately HK\$6.5 million as compared to a net profit of approximately HK\$0.6 million for the year ended 31 December 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. Over the past year, the outbreak of COVID-19 has had a drastic effect on the Hong Kong economy and imposed negative impacts on the construction industry, including supply chain disruptions, workforce shortages due to illness and preventative quarantines and work stoppages due to measures imposed by the Government of the Hong Kong Special Administrative Region (the “**Government**”). The Group has not encountered or experienced any material difficulty and/or delay in completion of the projects to the customers and from the subcontractors and any material supply chain disruptions of the suppliers due to the outbreak of COVID-19. The Group will also closely monitor the projects’ progress and communicate with suppliers and subcontractors, maintain close communication with customers on the latest project works schedules and arrangements, proactively follow up with potential customers on the tenders and quotations submitted, and actively respond to any business enquiries, tender and quotation invitations to maintain market competitiveness. In December 2022, the Group planned to start the business of property agency and target to cover property market outside Hong Kong, including but not limited to Japan, Middle-East and Mainland China. 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.

### PRINCIPAL RISKS AND UNCERTAINTIES

The Directors believe that there are certain risks and uncertainties involved in the operations, some of which are beyond the Group’s control. The Directors believe the relatively significant risks relating to the Group’s business are as follows:

- A significant portion of the Group’s revenue was generated from contracts which were not recurrent in nature and were awarded by a few customers, and there is no guarantee that such customers will provide the Group with new business;

- As the Group from time to time engages subcontractors in its projects, the Group may have to bear responsibilities for any non-performance, delayed performance, sub-standard performance or non-compliance of the subcontractors; and
- There may be discrepancies between the ground investigation findings and the actual geological conditions of the site which may cause the Group to incur additional cost or result in potential claims which are not insured and adversely affect the Group's profitability as the related contracts are usually of a fixed sum without price adjustment mechanism.

A detailed discussion of the risk factors is set forth in the section headed "Risk Factors" in the prospectus of the Company dated 14 June 2017 (the "**Prospectus**").

## **COMPLIANCE WITH LAWS AND REGULATIONS**

To the best of the Directors' knowledge, information and belief, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2022, there was no material breach of or non-compliance of the applicable laws and regulations by the Group.

## **ENVIRONMENTAL POLICIES AND PERFORMANCE**

The Board has overall responsibility for the Group's environmental, social and governance ("**ESG**") strategy and reporting. The Board is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met.

The details of ESG performance of the Group are set out in the ESG report on pages 38-54 of the annual report of the Group for the year ended 31 December 2022 (the "**Annual Report**").

## **RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES**

The Group maintains a good relationship with its employees and certain policies have been implemented to ensure that its employees are provided with competitive remuneration, good welfare benefits and continuous professional training. The Group also maintains good relationships with its customers and suppliers, without whom success in the Group's business and operation would be at risk.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue decreased by approximately HK\$2.3 million or 2.6% from approximately HK\$88.8 million for the year ended 31 December 2021 to approximately HK\$86.5 million for the year ended 31 December 2022, mainly due to delay in progress of certain projects as a result of the outbreak of the COVID-19 pandemic.

### **Costs of sales**

The Group's cost of sales decreased from approximately HK\$77.9 million for the year ended 31 December 2021 to approximately HK\$70.2 million for the year ended 31 December 2022, representing a decrease of approximately HK\$7.7 million or 9.9%. Such decrease was generally in line with the decrease in revenue.

### **Gross profit and gross profit margin**

The Group's gross profit for the year ended 31 December 2022 were approximately HK\$16.3 million, representing an increase of approximately 49% from approximately HK\$10.9 million for the year ended 31 December 2021. Such increase was mainly due to the increase in gross profit margin. The Group's gross profit margin for the year ended 31 December 2022 was approximately 18.8%, representing an increase of approximately 6.5 percentage points as compared to approximately 12.3% for the year ended 31 December 2021. Such increase was primarily due to the effects of decisive cost control initiatives which have been taken by the management of the Group.

### **Other income and other gain**

The other income and other gain decreased by approximately HK\$3.0 million from approximately HK\$4.5 million for the year ended 31 December 2021 to approximately HK\$1.5 million for the year ended 31 December 2022, primarily due to one-off gain of approximately HK\$2.5 million related to disposal of property, plant and equipment for the year ended 31 December 2021.

### **Administrative and other operating expenses**

The Group's administrative and other operating expenses for the year ended 31 December 2022 were approximately HK\$11.7 million, representing an increase of approximately HK\$1.0 million or 9.0% from approximately HK\$10.7 million for the year ended 31 December 2021, primarily due to increase in staff costs.

## **Finance Costs**

Finance costs of the Group decreased by approximately HK\$0.3 million from approximately HK\$0.8 million for the year ended 31 December 2021 to approximately HK\$0.6 million for the year ended 31 December 2022. Finance costs consist of interest on bank and other borrowings and lease liabilities.

## **Income Tax Credit/(Expense)**

For the years ended 31 December 2021 and 2022, the Group recorded income tax expense of approximately HK\$0.6 million and income tax credit of approximately HK\$0.6 million, respectively.

## **Loss for the year**

For the year ended 31 December 2022, the Group recorded a loss attributable to owners of the Company of approximately HK\$6.5 million as compared to a profit attributable to owners of the Company of approximately HK\$0.6 million for the year ended 31 December 2021. The loss during the year was mainly attributed to (i) delay in progress of certain projects as a result of the outbreak of the COVID-19 epidemic; (ii) the provision for impairment of trade receivables and contract assets; and (iii) one-off gain of approximately HK\$2.5 million related to disposal of property, plant and equipment for the year ended 31 December 2021.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group finances its liquidity and capital requirements primarily through cash generated from operations, borrowings, lease liabilities and equity contribution from shareholders.

As at 31 December 2022, the Group had cash and bank balances of approximately HK\$4.1 million (2021: approximately HK\$4.4 million).

As at 31 December 2022, the Group's total equity attributable to owners of the Company amounted to approximately HK\$61.3 million (2021: approximately HK\$66.2 million). As of the same date, the Group's total debt, comprising borrowings and lease liabilities, amounted to approximately HK\$17.2 million (2021: approximately HK\$11.3 million).

On the Listing Date, the Company was listed on GEM by way of public offer and completed the public offer of 250,000,000 shares at the offer price of HK\$0.24 per share. The net proceeds from the listing amounted to approximately HK\$39.4 million. The Directors believe that with the new capital from the public offer, the Group is in a healthy financial position to expand its business and achieve its business objectives.

## **BORROWINGS AND GEARING RATIO**

As at 31 December 2022, the Group had borrowings and lease liabilities of approximately HK\$17.2 million which was denominated in Hong Kong dollars (2021: approximately HK\$11.3 million). The Group's borrowings were primarily used in financing the working capital requirement of its operations.

As at 31 December 2022, the gearing ratio of the Group, calculated as the total interest-bearing liabilities divided by the total equity, was approximately 28% (2021: approximately 17.1%).

## **TREASURY POLICY**

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to capture future growth opportunities.

## **CHARGE ON GROUP ASSETS**

As at 31 December 2022, the Group has pledged its machinery and equipment with an aggregate net book value of approximately HK\$9.3 million (2021: approximately HK\$0.7 million).

As at 31 December 2022, the Group pledged the payment for a life insurance policy of a bank with the carrying amount of approximately HK\$2.8 million to secure the bank borrowings of the Group (2021: approximately HK\$2.7 million).

To better manage the Group's capital structure and financing needs, the Group sometimes enters into sale and leaseback arrangements in relation to machinery leases. These legal transfer does not satisfy the requirements of HKFRS 15 to be accounted for as a sale of the machinery. During the year ended 31 December 2022, the Group had raised approximately HK\$5.5 million borrowings in respect of such sale and leaseback arrangements (2021: approximately HK\$0.9 million).

## **FOREIGN EXCHANGE EXPOSURE**

All of the revenue-generating operations and borrowings of the Group were mainly transacted in Hong Kong dollars which is the presentation currency of the Group, except for certain bank balances and payment for life insurance policy which are denominated in US\$. Since HK\$ is pegged to US\$, the Directors are of the view that the Group has limited exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

## **CAPITAL REORGANISATION**

The shares of the Company were successfully listed on GEM of the Stock Exchange on 27 June 2017. The share capital of the Group only comprises of ordinary shares. The Company implemented a share consolidation (the “**Share Consolidation**”) which was approved by the shareholders on 11 July 2022. Pursuant to the Share Consolidation, every ten share(s) of par value of HK\$0.01 each in the share capital of the Company were consolidated into one consolidated share (the “**Consolidated Share**”) of par value of HK\$0.10 each.

## **ISSUANCE OF SHARES**

On 31 May 2022, the Company and Subscriber 2 entered into a subscription agreement of Subscriber 2 (the “**Subscription Agreement**”), pursuant to which Subscriber 2 agreed to subscribe for, and the Company agreed to issue and allot 5,000,000 Consolidated Shares at a price of HK\$0.40 per new Consolidated Share to be subscribed by Subscriber 2 pursuant to the terms and conditions of the Subscription Agreement. Subscriber 2 is a third party independent of and not connected with the Company and its connected persons. The issuance of the new Consolidated Shares to Subscriber 2 has been completed on 11 August 2022 (the “**Issuance of Shares**”). Details of the Issuance of Shares are set out in the announcements of the Company dated 31 May 2022, 15 July 2022, 29 July 2022 and 11 August 2022.

## **CAPITAL STRUCTURE**

As at 31 December 2022, the Company’s issued share capital was HK\$11.5 million and the number of its issued ordinary shares was 115,000,000 of HK\$0.10 each.

## **USE OF PROCEEDS FROM ISSUANCE OF SHARES**

The net proceeds from the Issuance of Shares (after deduction of fees and other expenses of the Issuance of Shares) amounted to approximately HK\$1,539,000, which will be utilised for operating funds purposes and for future investments of the Group as and when opportunities arise.

As at 31 December 2022, all the net proceeds from the Issuance of Shares has been used for operating fund purposes.



## **CAPITAL COMMITMENTS**

As at 31 December 2022, the Group had no material capital commitments (2021: Nil) contracted but not provided for property, plant and equipment.

## **SEGMENT INFORMATION**

Segmental information of the Group is disclosed in Note 5 to the consolidated financial statements in the Annual Report.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as disclosed in the Prospectus and in this report, the Group did not have other plans for material investments or capital assets as of 31 December 2022.

## **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

During the year ended 31 December 2022, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures.

## **CONTINGENT LIABILITIES**

As at 31 December 2022, the Group did not have any material contingent liabilities (2021: Nil).

## **FINAL DIVIDENDS**

The Board does not recommend the payment of final dividend for the year ended 31 December 2022 (2021: Nil).

## **CORPORATE GOVERNANCE PRACTICE**

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving high standard of corporate governance that can protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the "CG Code") set out in Appendix 15 of the GEM Listing Rules. During the year ended 31 December 2022, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

## **RESULTS AND DIVIDENDS**

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income of this announcement. The state of affairs of the Group and the Company as at 31 December 2022 are set out in the consolidated statement of financial position and Note 29 to the consolidated financial statements of the Annual Report, respectively. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022.

## **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 Company's shares during the year ended 31 December 2022.

## **AUDIT COMMITTEE**

The Audit Committee was established on 7 June 2017. The chairman of the Audit Committee is Mr. Ng Ki Man, the independent non-executive Director, and other members included Mr. Lam Chee-yau Timothy and Mr. Ngok, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the website of the Stock Exchange and on the Company's website.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The primary duties of the Audit Committee are to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2022, the Audit Committee held four meetings to review and comment on the Company's 2021 annual results, 2022 interim results and quarterly results as well as the Company's internal control procedures and risk management system.

## **REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2022. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement.

The Group's consolidated financial statements for the year ended 31 December 2022 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2022 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

## **APPRECIATION**

The Company would like to thank the Group's customers, suppliers, business partners for their support. Also, the Company would like to offer its highest gratitude to its shareholders for their devotion and to the Group's employees for their loyalty and contributions made during the year.

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

Hong Kong, 31 March 2023

*As at the date of this announcement, 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.*

*This announcement will remain on the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and will be published on the Company's website at [www.wbgroupfw.com.hk](http://www.wbgroupfw.com.hk).*