



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

FIRST QUARTERLY
REPORT
2018



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

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*This report, for which the directors (the “**Directors**”) of Basetrophy Group 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 (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 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 in this report misleading.*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2018

Unaudited first quarterly results

The unaudited condensed consolidated results of the Group for the three months ended 31 March 2018, together with the unaudited comparative figures for the corresponding periods in 2017, are as follows:

		Unaudited Three months ended 31 March	
	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
Revenue	4	45,608	28,892
Cost of sales		(38,257)	(23,829)
Gross profit		7,351	5,063
Other income and other gain	4	143	139
Administrative and other operating expenses	5	(4,649)	(2,674)
Operating profit		2,845	2,528
Finance costs		(138)	(203)
Profit before income tax		2,707	2,325
Income tax expense	6	(380)	(128)
Profit and total comprehensive income for the period attributable to owners of the Company		2,327	2,197
Earnings per share attributable to owners of the Company for the period – Basic and diluted (<i>expressed in HK cents per share</i>)	7	0.23	0.29

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2017

	Share capital HK\$'000 <i>(Note i)</i>	Share premium HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 1 January 2017 (Audited)	1	-	-	32,264	32,265
Profit and total comprehensive income for the period	-	-	-	2,197	2,197
Balance at 31 March 2017 (Unaudited)	1	-	-	34,461	34,462

For the three months ended 31 March 2018

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 <i>(Note ii)</i>	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 1 January 2018 (Audited)	10,000	44,049	1	17,268	71,318
Profit and total comprehensive income for the period	-	-	-	2,327	2,327
Balance at 31 March 2018 (Unaudited)	10,000	44,049	1	19,595	73,645

Notes:

- i) For the purpose of the preparation of the condensed consolidated statement of changes in equity, the balance of share capital at 1 January 2017 represents the aggregate of the paid up share capital of the companies comprising the Group held by the controlling parties of the Company prior to the reorganisation.
- ii) 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 and Reorganisation

(a) General information

Basetrophy Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 4 January 2016 as an exempted company with limited liability. Its parent and ultimate holding company is Brightly Ahead Limited (“**Brightly Ahead**”), a company incorporated in the British Virgin Islands (“**BVI**”) and owned by Mr. Lau Chung Ho (“**Mr. Lau**”) and Ms. Yuen Suk Har (“**Ms. Yuen**”), spouse of Mr. Lau. Each of Brightly Ahead, Mr. Lau and Ms. Yuen is a controlling shareholder of the Company.

The registered office of the Company in Cayman Islands is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The address of the principal place of business of the Company is Unit 18, 29th Floor, New Tech Plaza, 34 Tai Yau Street, San Po Kong, Kowloon, Hong Kong. The Company is an investment holding company. The Group is principally engaged in the provision of foundation and site formation works and other geotechnical engineering works as a substructure subcontractor (the “**Listing Business**”).

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

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

(b) Reorganisation

Prior to the completion of the reorganisation (the “**Reorganisation**”) as described below, the Listing Business was carried out by Workbase Engineering Limited (“**Workbase Engineering**”), a company incorporated in Hong Kong (the “**Operating Company**”).

In preparation for the Listing on GEM, the Group underwent the Reorganisation to transfer the Listing Business to the Company principally through the following steps:

- (i) On 20 November 2015, Wide View Enterprises Limited (“**Wide View**”) was incorporated in the BVI with limited liability. On 11 January 2016, one fully-paid ordinary share of Wide View, representing the entire issued share capital of Wide View, was allotted and issued at par to Brightly Ahead.
- (ii) On 4 January 2016, the Company was incorporated in the Cayman Islands with limited liability and with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares. On the same date, one fully-paid Share was allotted and issued to the initial subscriber to the memorandum and articles of association of the Company, which was subsequently transferred to Brightly Ahead on 29 January 2016.
- (iii) On 12 September 2016, Wide View acquired the entire issued share capital of the Workbase Engineering from Mr. Lau and Ms. Yuen, in consideration of which Wide View allotted and issued 99 fully-paid shares in Wide View to Brightly Ahead.
- (iv) On 7 June 2017, the Company acquired the entire issued share capital of Wide View, in consideration of the Company allotted and issued 9,999 nil-paid Shares, credited as fully-paid, to Brightly Ahead.

Upon completion of the Reorganisation and before Listing, the Company has become the holding company of Wide View and Workbase Engineering, and Brightly Ahead has become the shareholder of the entire issued share capital of the Company.

2 Basis of preparation and presentation

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2018 has been prepared in accordance with Hong Kong Accounting Standards (“**HKAS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the GEM Listing Rules. The unaudited condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

The companies currently comprising the Group, were under the control of Mr. Lau and Ms. Yuen, immediately before and after the Reorganisation. For the purpose of the unaudited first quarterly financial results, the financial results for the three months ended 31 March 2017 have been prepared on a combined basis.

Immediately prior to and after the Reorganisation, the Listing Business was carried out by the Operating Company. Pursuant to the Reorganisation, the Listing Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The transaction is merely a reorganisation of the Listing Business with no change in management and the controlling shareholders of the Listing Business (the “**Controlling Shareholder(s)**”). Accordingly, the combined financial statements of the companies now comprising the Group is presented using the carrying values of the Listing Business for all periods presented, as if the current group structure had been in existence throughout the periods or since the respective dates of establishments of the companies comprising the Group, whichever is earlier.

Inter-company transactions, balances and unrealised gains/(losses) on transactions between group companies are eliminated on consolidation.

3 Accounting policies

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

(a) The following new and amended standards have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2018:

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to the following two HKFRSs: <ul style="list-style-type: none">– HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards– HKAS 28 Investments in Associates and Joint Ventures

The adoption of the above HKFRSs did not have any significant financial impact on the unaudited condensed consolidated financial statements.

(b) The following new standards and revisions to standards have been issued, but are not effective for the financial year beginning 1 January 2019 and have not been early adopted by the Group:

Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ³
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Annual Improvements to 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 And HKAS 23 ¹

^{1.} Effect for annual periods beginning on or after 1 January 2019

^{2.} No mandatory effective date yet determined but available for adoption

^{3.} Effective for annual periods beginning on or after 1 January 2021

The Group will apply the above HKFRSs when they become effective. The Group is in the process of assessing the impact of the above HKFRSs.

4 Revenue, other income and other gain

The Group operates as a single operating segment. The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive Directors that make strategic decisions.

The Group is principally engaged in provision of foundation and related works, including site formation works and other geotechnical engineering works which are carried out in Hong Kong.

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

	Unaudited Three months ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Revenue		
Foundation and related works	45,608	28,892

	Unaudited Three months ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Other income and other gain		
Amortisation of deferred gain	–	139
Others	143	–
	143	139

5 Expenses by nature

	Unaudited	
	Three months ended	
	31 March	
	2018	2017
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	149	99
Operating lease rental on premises	352	103
Staff costs, including directors' emoluments	1,656	1,580
Other expenses	2,492	892
	4,649	2,674

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 current period (2017: 16.5%)

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

	Unaudited	
	Three months ended	
	31 March	
	2018	2017
	HK\$'000	HK\$'000
Hong Kong profits tax	408	493
Deferred income tax	(28)	(365)
	380	128

7 Earnings per share attributable to owners of the Company for the period – Basic and diluted

	Unaudited Three months ended 31 March	
	2018	2017
Profit for the period attributable to owners of the Company (<i>HK\$'000</i>)	2,327	2,197
Weighted average number of ordinary shares (<i>'000</i>)	1,000,000	750,000
Basic earnings per share (<i>HK cents per share</i>)	0.23	0.29

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the three months ended 31 March 2018 was derived from the number of ordinary shares in issue during the period.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the three months ended 31 March 2017 has been determined on the assumption that the Reorganisation and capitalisation issue had been effective on 1 January 2017.

Diluted earnings per share is equal to the basic earnings per share as there was no dilutive potential shares for the three months ended 31 March 2018 and 2017.

8 Dividends

No dividend was proposed by the board of Directors (the “**Board**”) for the three months ended 31 March 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

For the three months ended 31 March 2018, the Group recorded a net profit of approximately HK\$2.3 million as compared to a net profit of approximately HK\$2.2 million for the same period in 2017. The Group has achieved an increase in revenue and gross profit for the three months ended 31 March 2018, which was offset by the increase in administrative and other operating expenses following the Listing.

Outlook

The Shares were listed on GEM on 27 June 2017 by way of public offer. The Group always strives to improve its operation efficiency and profitability of its business. The Group plans to expand its fleet of machinery and equipment, which enhance the basis of its technical capability to bid future projects. The Group will also proactively seek for potential business opportunities that will broaden the sources of income and enhance value to the shareholders. The net proceeds from the public offer of the Shares thereby provide financial resources to the Group to meet and achieve its business opportunities and strategies which will further strengthen the Group's market position in foundation and site formation works and other geotechnical engineering works.

Financial Review

Revenue

The Group's revenue increased by approximately 57.8% from approximately HK\$28.9 million for the three months ended 31 March 2017 to approximately HK\$45.6 million for the three months ended 31 March 2018, mainly due to the increase in value of works undertaken during 2018.

Costs of Sales

The Group's cost of sales for the three months ended 31 March 2018 was approximately HK\$38.3 million, representing an increase of approximately 60.9% from approximately HK\$23.8 for the three months ended 31 March 2017. Such increase was mainly due to the increase in construction costs and subcontracting charges for the three months ended 31 March 2018.

Gross Profit and Gross Profit Margin

The Group's gross profit for the three months ended 31 March 2018 were approximately HK\$7.4 million, representing an increase of approximately 45.1% from approximately HK\$5.1 million for the three months ended 31 March 2017. Such increase was mainly driven by the corresponding increase in revenue. The Group's gross profit margin for the three months ended 31 March 2018 was approximately 16.1%, representing a decrease of approximately 1.4 percentage points as compared to approximately 17.5% for the three months ended 31 March 2017. Such decrease were primarily due to competitive project pricing arising from intense market competition and the delay in works progress for the three months 31 March 2018.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses for the three months ended 31 March 2018 were approximately HK\$4.6 million, representing an increase of approximately 70.4% from approximately HK\$2.7 million for the three months ended 31 March 2017, primarily due to the increase in staff costs and professional fees following the Listing.

Profit for the Period

For the three months ended 31 March 2018, the Group recorded profit attributed to owners of the Company of approximately HK\$2.3 million, which was generally in line with the profit for the three months ended 31 March 2017 of approximately HK\$2.2 million.

Dividend

The Board does not recommend the payment of dividend for the three months ended 31 March 2018.

OTHER INFORMATION

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

As at 31 March 2018, 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 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in the Shares

Name	Capacity/Nature	Number of Shares held/interested	Percentage of shareholding
Mr. Lau (Note 1)	Interested in a controlled corporation	594,000,000	59.4%
Ms. Yuen (Note 1)	Interested in a controlled corporation/ Interest of spouse	594,000,000	59.4%

Note:

1. Mr. Lau and Ms. Yuen beneficially own 99.9% and 0.1% of the issued share capital of Brightly Ahead, respectively. 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. Ms. Yuen is the spouse of Mr. Lau. Under the SFO, Ms. Yuen is deemed to be interested in the same number of Shares in which Mr. Lau is interested.

Save as disclosed above, as at 31 March 2018, none of the Directors and chief executive of the Company has any interest or short position 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 by the Directors as referred to Rules 5.46 to 5.67 of the GEM Listing Rules.

Substantial Shareholders' and Other Persons' Interests and Short Positions In Shares and Underlying Shares

As at 31 March 2018, the following person/entity (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, to be interests in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long position in the Shares

Name	Capacity/Nature	Number of Shares held/interested	Percentage of shareholding
Brightly Ahead	Beneficial owner	594,000,000	59.4%

Save as disclosed above, as at 31 March 2018, 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" 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, to be interests in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member 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 three months ended 31 March 2018.

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 has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with Group during the three months ended 31 March 2018.

Directors' Securities Transactions

The Company has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by the Directors during the three months ended 31 March 2018.

Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. The Company has adopted a Share Option Scheme on 7 June 2017. Further details of the Share Option Scheme are set in the section headed "D. Share Option Scheme" in Appendix IV to the Prospectus.

For the three months ended 31 March 2018, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

Interests of the Compliance Adviser

As confirmed by the Company's compliance adviser, Frontpage Capital Limited (the "**Compliance Adviser**"), save as the compliance adviser agreement entered into between the Company and the Compliance Adviser, none of the Compliance Adviser or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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 applied the principles and complied with all code provisions of Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the "**CG Code**").

The Company was listed on GEM on 27 June 2017. To the best knowledge of the Board, the Company has complied with the code provisions in the CG Code during the three months ended 31 March 2018 and up to the date of this report.

Audit Committee

Pursuant to Rule 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 and C.3.7 of the CG Code, the Company established an audit committee (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 Mr. Ng Ki Man (the chairman of the Audit Committee), Mr. Lu Tak Meng Teddy and Mr. Chong Kam Fung, 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 management of the Company on the accounting principles and practices adopted by the Group, this report and the first quarterly results announcement of the Group for the three months ended 31 March 2018. The condensed consolidated financial results for the three months ended 31 March 2018 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, 8 May 2018

As at the date of this report, the Board comprises Ms. Yuen Suk Har and Mr. Lau Chung Ho as executive Directors; and Mr. Ng Ki Man, Mr. Lu Tak Meng Teddy and Mr. Chong Kam Fung as independent non-executive Directors.