



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

2021

THIRD QUARTERLY REPORT

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

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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.

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*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 2021

Unaudited third quarterly results

The unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2021, together with the unaudited comparative figures for the corresponding periods in 2020, are as follows:

	Note	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	4	18,103	18,124	57,588	90,552
Cost of sales		(15,500)	(16,030)	(50,384)	(82,375)
Gross profit		2,603	2,094	7,204	8,177
Other income and other gain	4	3,275	1,439	4,278	2,511
Administrative and other operating expenses	5	(2,829)	(2,207)	(7,517)	(6,955)
Operating profit		3,049	1,326	3,965	3,733
Finance costs		(203)	(294)	(642)	(697)
Profit before income tax		2,846	1,032	3,323	3,036
Income tax expense	6	(221)	(241)	(527)	(173)
Profit and total comprehensive income for the period attributable to owners of the Company		2,625	791	2,796	2,863
Basic and diluted earnings per share (HK cent)	7	0.26	0.08	0.28	0.29

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

	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 2020 (Audited)	10,000	44,049	1	6,958	61,008
Profit and total comprehensive income for the period	—	—	—	2,863	2,863
Balance at 30 September 2020 (Unaudited)	10,000	44,049	1	9,821	63,871

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

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 Law of the Cayman Islands and its shares were listed on GEM of 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**"). 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 provision of foundation and related works.

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 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 2021 have 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 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**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 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.

2.1 New and amendments to HKFRSs that are mandatorily effective for the current year

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

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

2.2 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	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018– 2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

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

3 Estimates

The preparation of the unaudited condensed consolidated financial statements requires 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 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 2020.

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	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue				
Foundation and related works	18,103	18,124	57,588	90,552

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Other income and other gain				
Government subsidy <i>(Note)</i>	—	676	36	766
Rental income	739	744	1,659	1,664
Fair value change on assets at fair value through profit or loss	25	19	72	61
Gain on disposal of property, plant and equipment	2,511	—	2,511	—
Others	—	—	—	20
	3,275	1,439	4,278	2,511

Note: Government subsidy relates to cash subsidy granted by the Government 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	2020	Nine months ended 30 September	2020
	2021 HK\$'000	HK\$'000	2021 HK\$'000	2020 HK\$'000
Auditors' remuneration	170	—	510	—
Depreciation of property, plant and equipment	272	25	281	75
Depreciation of right-of-use assets	73	151	219	457
Leasing expenses	2	4	6	9
Reversal of impairment losses on financial assets and contract assets	(208)	—	(252)	—
Staff costs, including directors' emoluments	1,135	740	3,197	2,506
Other expenses	1,385	1,287	3,556	3,908
	2,829	2,207	7,517	6,955

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 both periods.

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	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Current income tax — Hong Kong profits tax	141	182	141	332
Deferred income tax	80	59	386	(159)
Income tax expense	221	241	527	173

7 Earnings per share

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2021	2020	2021	2020
Profit for the period attributable to owners of the Company (HK\$'000)	2,625	791	2,796	2,863
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	1,000,000	1,000,000	1,000,000	1,000,000
Basic earnings per share (HK cent)	0.26	0.08	0.28	0.29

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the nine months ended 30 September 2021 and 2020 were derived from 1,000,000,000 ordinary shares in issue during the period.

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

8 Dividends

The Board does not recommend a payment of any dividend for the nine months ended 30 September 2021 (2020: 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 by the way of public offer.

For the nine months ended 30 September 2021, the Group recorded a net profit of approximately HK\$2.8 million as compared to a net profit of approximately HK\$2.9 million for the same period in 2020.

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 to the construction industry, including 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 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. 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 decreased by approximately 36.4% from approximately HK\$90.6 million for the nine months ended 30 September 2020 to approximately HK\$57.6 million for the nine months ended 30 September 2021, mainly due to sizeable projects with large contract value had been completed and reflected in the revenue recorded in the nine months ended 30 September 2020.

Costs of Sales

The Group's cost of sales decreased from approximately HK\$82.4 million for the nine months ended 30 September 2020 to approximately HK\$50.4 million for the nine months ended 30 September 2021, which was generally consistent with the decrease in revenue during the period.

Gross Profit and Gross Profit Margin

The Group's gross profit for the nine months ended 30 September 2021 were approximately HK\$7.2 million, representing a decrease of approximately 12.2% from approximately HK\$8.2 million for the nine months ended 30 September 2020. The Group's gross profit margin for the nine months ended 30 September 2021 was approximately 12.5%, representing an increase of approximately 3.5 percentage points as compared to approximately 9.0% for nine months ended 30 September 2020. Such increase was mainly attributable to the effects of decisive cost control initiatives which have been taken by the management.

Other income and other gain

The Group's other income and other gain increased by approximately 72% from approximately HK\$2.5 million for the nine months ended 30 September 2020 to approximately HK\$4.3 million for the nine months ended 30 September 2021, primarily due to one-off gain of approximately HK\$2.5 million related to disposal of property, plant and equipment for the nine months ended 30 September 2021, partially offset by the decrease in government subsidy received under the "Anti-epidemic Fund" due to the outbreak of the COVID-19.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses for the nine months ended 30 September 2021 were approximately HK\$7.5 million, representing an increase of approximately 7.1% from approximately HK\$7.0 million for the nine months ended 30 September 2020. The increase was primarily attributable to the increase in staff costs.

Profit for the Period

For the nine months ended 30 September 2021, the Group recorded profit attributable to owners of the Company of approximately HK\$2.8 million as compared to profit for the nine months ended 30 September 2020 of approximately HK\$2.9 million.

Dividend

The Board does not recommend the payment of dividend for the nine months ended 30 September 2021.

EVENT AFTER THE REPORTING PERIOD

Placing of New Shares Under General Mandate

On 18 October 2021 (after trading hours), the Company and Gransing Securities Co., Limited as the placing agent (the “**Placing Agent**”) entered into a placing agreement, pursuant to which the Company has agreed to offer for subscription, and the Placing Agent has agreed to procure, on a best effort basis, to not less than six placees to subscribe for up to 100,000,000 shares (the “**Placing Shares**”) at a price of HK\$0.043 per Placing Share (the “**Placing Price**”).

On 4 November 2021, the conditions of the placing have been fulfilled and all Placing Shares have been successfully placed by the Placing Agent to not less than six placees at the Placing Price, representing approximately 9.1% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares.

The net proceeds from placing (after deduction of placing fee and other expenses of the placing) amount to approximately HK\$4,169,000, which will be utilized for operating funds purposes and for future investments of the Group as and when opportunities arise.

For further details of the placing, please refer to the Company announcements dated 18 October 2021, 22 October 2021 and 4 November 2021.

OTHER INFORMATION

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

As at 30 September 2021, 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 5.68 of the GEM Listing Rules, were as follows:

Long position in the shares

Name	Capacity/Nature of interest	Number of Shares held/interested	Percentage of shareholding
Mr. Lau <i>(Note)</i>	Interested in a controlled corporation	510,000,000	51.0%

Note: Mr. Lau beneficially own 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 2021, 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 5.68 of the GEM Listing Rules.

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

As at 30 September 2021, 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, to be interested 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 of interest	Number of Shares held/interested	Percentage of shareholding
Brightly Ahead	Beneficial owner	510,000,000	51.0%

Save as disclosed above, as at 30 September 2021, 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 interested 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 nine months ended 30 September 2021.

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 nine months ended 30 September 2021.

Directors' Securities Transactions

The Company has adopted the required standard of dealing, as set out in Rules 5.48 to 5.68 of the GEM Listing Rules 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 dealing and the code of conduct for securities transactions by the Directors during the nine months ended 30 September 2021.

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.

Under the Scheme, the Directors may at their absolute discretion and subject to the terms of the Scheme, grant options to any employee (full-time or part-time), director, substantial shareholder, consultant or adviser, distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, to subscribe for shares of the Company. The eligibility of any participant to the grant of any option shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

An offer for the grant of share options might be accepted in writing within 7 days, inclusive of the day on which such offer was made. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. The amount payable by the grantee to the Company on acceptance of the offer for the grant of an option is HK\$1.

The subscription price shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company's shares on the date of grant of the option.

The Scheme will remain in force for a period of ten years commencing on 7 June 2017, subject to early termination provisions contained in the Scheme.

For the nine months ended 30 September 2021, 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 nine months ended 30 September 2021, 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 C.3.3 and C.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 Mr. Ng Ki Man (the chairman of the Audit Committee), Mr. Lu Tak Meng Teddy and Mr. Lam Chee-yau Timothy, 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 third quarterly results announcement of the Group for the nine months ended 30 September 2021. The condensed consolidated financial results for the nine months ended 30 September 2021 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, 5 November 2021

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