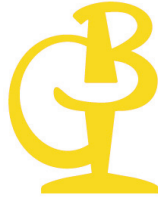


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BASETROPHY GROUP HOLDINGS LIMITED

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 2018

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 is pleased to announce the consolidated financial results of the Group for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

		2018	2017
	Note	HK\$'000	HK\$'000
Revenue	3	127,608	138,276
Cost of sales	4	<u>(113,877)</u>	<u>(122,203)</u>
Gross profit		13,731	16,073
Other income and other gain and loss		1,816	935
Administrative and other operating expenses	4	(18,010)	(21,779)
Net impairment losses on trade receivables and contract assets		<u>(13)</u>	<u>–</u>
Operating loss		(2,476)	(4,771)
Finance costs		<u>(838)</u>	<u>(514)</u>
Loss before income tax		(3,314)	(5,285)
Income tax expense	5	<u>(740)</u>	<u>(711)</u>
Loss and total comprehensive expense for the year attributable to owners of the Company		<u><u>(4,054)</u></u>	<u><u>(5,996)</u></u>
Basic and diluted loss per share (HK cent)	6	<u><u>(0.41)</u></u>	<u><u>(0.68)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		27,259	19,372
Payment for a life insurance policy		2,505	—
		<u>29,764</u>	<u>19,372</u>
Current assets			
Trade and other receivables	8	10,122	26,079
Contract assets		48,971	—
Gross amounts due from customers for contract work		—	17,032
Tax recoverable		2,240	2,562
Cash and bank balances		16,041	58,266
		<u>77,374</u>	<u>103,939</u>
Total assets		<u>107,138</u>	<u>123,311</u>
EQUITY			
Capital and reserves			
Share capital	9	10,000	10,000
Reserves		58,885	61,318
Total equity		<u>68,885</u>	<u>71,318</u>
LIABILITIES			
Non-current liabilities			
Borrowings		233	4,649
Deferred tax liabilities		2,220	1,482
		<u>2,453</u>	<u>6,131</u>
Current liabilities			
Trade and other payables	10	14,976	34,019
Gross amounts due to customers for contract work		—	2,261
Borrowings		20,824	9,582
		<u>35,800</u>	<u>45,862</u>
Total liabilities		<u>38,253</u>	<u>51,993</u>
Total equity and liabilities		<u>107,138</u>	<u>123,311</u>
Net current assets		<u>41,574</u>	<u>58,077</u>
Total assets less current liabilities		<u>71,338</u>	<u>77,449</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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**”) and Ms. Yuen Suk Har (“**Ms. Yuen**”) (deceased), spouse of Mr. Lau, the controlling parties of the Company.

The address of the Company’s registered office is PO Box 1350, Clifton House, 75 Fort Street, 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 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 25 March 2019.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
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
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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.

HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from foundation and related works which arise from contracts with customers.

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impact of transition to HKFRS 15 on retained earnings at 1 January 2018.

	HK\$'000
Retained earnings	
Recognition of construction costs	1,950
Tax effect	(322)
	<hr/>
Impact at 1 January 2018	<u>1,628</u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

		Carrying amounts previously reported at 31 December 2017 HK\$'000	Impact HK\$'000	Carrying amounts under HKFRS 15 at 1 January 2018* HK\$'000
	Notes			
Trade and other receivables	(b)	26,079	(14,128)	11,951
Contract assets	(b) & (c)	–	30,849	30,849
Gross amounts due from customers for contract work	(a) & (c)	17,032	(17,032)	–
Tax recoverable	(a)	2,562	(322)	2,240
Gross amounts due to customers for contract work	(a) & (c)	2,261	(2,261)	–
Retained earnings		<u>17,268</u>	<u>1,628</u>	<u>18,896</u>

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes:

- (a) In relation to construction contracts previously accounted under HKAS 11, the Group continues to apply output method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. Under HKAS 11, contract costs are recognised as expenses by reference to the stage of completion, which is measured by reference to work performed to date as a percentage of total contract value. Under HKFRS 15, costs that related to satisfied performance obligations are expensed as incurred. Construction costs of approximately HK\$1,950,000 recognised in gross amounts due from/to customers for contract work were adjusted to retained earnings. The related tax effect of approximately HK\$322,000 was recognised in tax recoverable and retained earnings.

- (b) At the date of initial application, retention receivables of approximately HK\$14,128,000 arising from the construction contracts was reclassified from trade and other receivables to contract assets.
- (c) At the date of initial application, amount of approximately HK\$16,721,000 arising from the construction contracts are for work completed and not billed because the rights are conditioned on factors other than passage of time, and such amount was reclassified from gross amounts due from/to customers for contract work to contract assets.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income for the current year for each of the line items affected and basic and diluted loss per share for the current year. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK\$'000	HK\$'000	HK\$'000
Trade and other receivables	10,122	13,042	23,164
Contract assets	48,971	(48,971)	–
Gross amounts due from customers for contract work	–	37,434	37,434
Retained earnings	<u>14,835</u>	<u>1,505</u>	<u>16,340</u>

Impact on the consolidated statement of profit or loss and other comprehensive income

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK\$'000	HK\$'000	HK\$'000
Cost of sales	<u>113,877</u>	<u>(3,455)</u>	<u>110,422</u>

Impact on the basic and diluted loss per share

	As reported	Adjustments	Amounts without application of HKFRS 15
Basic and diluted loss per share (HK cent)	<u>(0.41)</u>	<u>0.35</u>	<u>(0.06)</u>

HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and other items (for example, contract assets) and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between the carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Summary of effects arising from initial application of HKFRS 9

Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. These supersede HKAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at fair value through profit or loss. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under HKFRS 9, the classification for all of the Group’s financial assets and financial liabilities measured at amortised cost remain the same. The carrying amounts for all financial assets and financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. Except for those which had been determined as credit impaired under HKAS 39, contract assets and trade receivables have been assessed individually with significant balances and the remaining balances are grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including other receivables and cash and bank balances are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, additional credit loss allowance of approximately HK\$9,000 has been recognised against retained earnings. The additional loss allowance is charged against the respective asset.

All loss allowances as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Contract assets HK\$'000	Trade receivables HK\$'000
At 31 December 2017 – HKAS 39	–	–
Amount remeasured through opening retained earnings	3	6
At 1 January 2018 – HKFRS 9	<u>3</u>	<u>6</u>

The following table summarises the impact of transition to HKFRS 9 on retained earnings at 1 January 2018.

	HK\$'000
Retained earnings	
Recognition of impairment loss	(9)
Tax effect	<u>2</u>
Impact at 1 January 2018	<u>(7)</u>

Summary of effects arising from initial application of HKFRS 9 and HKFRS 15

As a result of the changes in the Group's accounting policies above, the table below illustrates the overall application on HKFRS 9 and HKFRS 15 at the date of initial application, 1 January 2018. Line items that were not affected by the changes have not been included.

	31 December			1 January
	2017	HKFRS 15	HKFRS 9	2018
	HK\$'000	HK\$'000	HK\$'000	(Restated)
				HK\$'000
Trade and other receivables	26,079	(14,128)	(6)	11,945
Contract assets	–	30,849	(3)	30,846
Gross amount due from customers for contract work	17,032	(17,032)	–	–
Tax recoverable	2,562	(322)	–	2,240
Gross amount due to customers for contract work	2,261	(2,261)	–	–
Deferred tax liabilities	1,482	–	(2)	1,480
Retained earnings	<u>17,268</u>	<u>1,628</u>	<u>(7)</u>	<u>18,889</u>

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening statement of financial position as at 1 January 2018 as disclosed above.

The adoption of these standards has no impact on the net cash flow from operating, investing and financing activities on the consolidated statement of cash flows.

3 REVENUE AND SEGMENT INFORMATION

Revenue recognised during the year are as follows:

	2018 HK\$'000	2017 HK\$'000
Revenue		
Foundation and related works (<i>Note</i>)	127,608	138,276

Note: Related works included site formation works and other geotechnical engineering works.

Disaggregation of revenue from contracts with customers

	2018 HK\$'000
Timing of revenue recognition	
Over time	127,608
Types of goods or service	
Foundation and related works	127,608

Performance obligations for contracts with customers

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.

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 2018 and the expected timing of recognising revenue are as follows:

	Foundation and related works HK\$'000
Within 1 year	<u>27,867</u>

Segment information

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

Information about major customers

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

	2018 HK\$'000	2017 HK\$'000
Customer A	51,693	39,227
Customer B	26,272	58,260
Customer C	33,138	29,029
Customer D	<u>14,510</u>	<u>N/A¹</u>

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

4 EXPENSES BY NATURE

	2018 HK\$'000	2017 HK\$'000
Cost of sales		
Construction contracts costs		
Staff costs	10,824	10,841
Depreciation of property, plant and equipment	5,261	3,689
Other construction contracts costs (<i>Note a</i>)	97,792	107,673
	<u>113,877</u>	<u>122,203</u>
	2018 HK\$'000	2017 HK\$'000
Administrative and other operating expenses		
Auditors' remuneration		
– Current year	750	680
– Overprovision in prior year	–	(10)
Depreciation of property, plant and equipment	461	596
Listing expenses	–	7,746
Operating lease rental on premises	1,467	1,199
Staff costs	7,325	6,640
Written off of trade receivables	2,921	–
Other expenses	5,086	4,928
	<u>18,010</u>	<u>21,779</u>

Note:

- (a) Other construction contracts costs included but are not limited to construction materials, subcontracting charges, machinery and equipment leasing expense and repair and maintenance.

5 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not have assessable profit in Hong Kong for current year.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit arising in or derived from Hong Kong for last year.

	2018 HK\$'000	2017 HK\$'000
Hong Kong profits tax:		
– Current income tax	–	12
Deferred income tax	<u>740</u>	<u>699</u>
Income tax expense	<u><u>740</u></u>	<u><u>711</u></u>

6 LOSS PER SHARE

	2018	2017
Loss attributable to owners of the Company (HK\$'000)	<u><u>(4,054)</u></u>	<u><u>(5,996)</u></u>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (in thousand)	<u><u>1,000,000</u></u>	<u><u>878,767</u></u>
Basic loss per share (HK cent)	<u><u>(0.41)</u></u>	<u><u>(0.68)</u></u>

The weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 31 December 2018 was derived from 1,000,000,000 ordinary shares in issue.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 December 2017 has been determined on the assumption that the reorganisation and capitalisation issue had been effective on 1 January 2017.

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

7 DIVIDENDS

	2018 HK\$'000	2017 HK\$'000
Dividends	<u><u>–</u></u>	<u><u>9,000</u></u>

During the year ended 31 December 2017, interim dividends of HK\$9,000,000 were appropriated to the then shareholder of Wide View Enterprises Limited (“**Wide View**”), a subsidiary of the Company. Interim dividends of approximately HK\$597,000 was settled by cash and the remaining balance of approximately HK\$8,403,000 was settled by offset against the amount due from a director.

No final dividend was proposed by the Board for the year ended 31 December 2018 (2017: Nil).

8 TRADE AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables	4,190	9,484
Less: Provision for impairment losses	<u>(2)</u>	<u>—</u>
	4,188	9,484
Other receivables, deposits and prepayments	5,934	2,467
Retention receivables*	<u>—</u>	<u>14,128</u>
	<u>10,122</u>	<u>26,079</u>

* Upon application of HKFRS 15, the retentions receivables were reclassified to contract assets.

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 denominated in HK\$.

The ageing analysis of the trade receivables based on date of payment certificates issued by customers is as follows:

	2018 HK\$'000	2017 HK\$'000
0–30 days	3,547	6,098
31–60 days	—	437
61–90 days	—	—
Over 90 days	<u>643</u>	<u>2,949</u>
	<u>4,190</u>	<u>9,484</u>

9 SHARE CAPITAL

	<i>Note</i>	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 January 2017		38,000,000	380
Increase in authorised share capital	<i>a</i>	<u>2,962,000,000</u>	<u>29,620</u>
At 31 December 2017, 1 January 2018 and 31 December 2018		<u><u>3,000,000,000</u></u>	<u><u>30,000</u></u>
Issued and fully paid:			
At 1 January 2017		1	–
Reorganisation	<i>b</i>	9,999	–
Capitalisation issue	<i>c</i>	749,990,000	7,500
Shares issued under public offer	<i>d</i>	<u>250,000,000</u>	<u>2,500</u>
At 31 December 2017, 1 January 2018 and 31 December 2018		<u><u>1,000,000,000</u></u>	<u><u>10,000</u></u>

Notes:

- (a) On 7 June 2017, the Company resolved to increase its authorised share capital from HK\$380,000 to HK\$30,000,000 by the creation of an additional 2,962,000,000 shares, each ranking pari-passu with the shares then in issue in all respects.
- (b) On 7 June 2017, the Company acquired the entire issued share capital in Wide View, and as consideration, the Company allotted and issued 9,999 nil-paid shares in the Company, credited as fully-paid, to Brightly Ahead. Pursuant to the aforesaid transactions, the Company became the holding company of Wide View and Workbase Engineering Limited, a subsidiary of the Company, and Brightly Ahead became the shareholder of the entire issued share capital of the Company.
- (c) On 7 June 2017, the Company resolved to increase its authorised share capital from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$30,000,000 divided into 3,000,000,000 shares of HK\$0.01 each in order to be positioned to (i) allot and issue 250,000,000 new shares to the public offer; and (ii) allot and issue a further 749,990,000 new shares to the existing shareholder of the Company, namely Brightly Ahead.
- (d) The Company's shares were successfully listed on GEM on 27 June 2017. Upon the completion of the listing, 250,000,000 ordinary shares of HK\$0.01 each were issued at a price of HK\$0.24 per share for a total consideration of HK\$60,000,000.

10 TRADE AND OTHER PAYABLES

	2018 HK\$'000	2017 HK\$'000
Trade payables	7,938	26,688
Accrued employee benefit expenses	1,629	1,909
Other accruals and payables	1,903	1,579
Retention payables	3,506	3,843
	<u>14,976</u>	<u>34,019</u>

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

	2018 HK\$'000	2017 HK\$'000
0 – 30 days	2,867	10,276
31 – 60 days	2,559	9,711
61 – 90 days	2,146	6,548
Over 90 days	366	153
	<u>7,938</u>	<u>26,688</u>

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 year ended 31 December 2018, the Group recorded a net loss of approximately HK\$4.1 million as compared to a net loss of approximately HK\$6.0 million for the same period in 2017. The Board considers that the loss was primarily attributable to (i) decrease in revenue due to delay in progress of certain projects; and (ii) written off of trade receivables.

OUTLOOK

The shares of the Company 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 has expanded its fleet of machinery and equipment, which enhances the basis of its technical capability to bid future projects. The Group will also proactively seek 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 decreased by approximately HK\$10.7 million or 7.7% from approximately HK\$138.3 million for the year ended 31 December 2017 to approximately HK\$127.6 million for the year ended 31 December 2018, mainly due to delay in progress of certain projects.

Costs of Sales

The Group's cost of sales decreased from approximately HK\$122.2 million for the year ended 31 December 2017 to approximately HK\$113.9 million for the year ended 31 December 2018, representing a decrease of approximately HK\$8.3 million or 6.8%. 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 2018 were approximately HK\$13.7 million, representing a decrease of approximately 14.9% from approximately HK\$16.1 million for the year ended 31 December 2017. Such decrease was mainly due to the decrease in revenue and gross profit margin. The Group's gross profit margin for the year ended 31 December 2018 was approximately 10.8%, representing a decrease of approximately 0.8 percentage points as compared to approximately 11.6% for the year ended 31 December 2017. Such decrease was primarily due to the competitive project pricing arising from intense market competition and the delay in works progress for the year ended 31 December 2018.

Administrative and other Operating Expenses

The Group's administrative and other operating expenses for the year ended 31 December 2018 were approximately HK\$18.0 million, representing a decrease of approximately HK\$3.8 million or 17.4% from approximately HK\$21.8 million for the year ended 31 December 2017, primarily due to the non-recurring listing expenses of approximately HK\$7.7 million incurred for the year ended 31 December 2017, partially offset by written off of trade receivables of approximately HK\$2.9 million for the year ended 31 December 2018.

Finance Costs

Finance costs of the Group were approximately HK\$0.8 million and HK\$0.5 million for the years ended 31 December 2018 and 2017, respectively. Finance costs consist of interest on bank borrowings and interest on obligations under finance leases. The increase in the Group's finance costs was mainly due to the increase in interest on finance leases for machinery purchase.

Income Tax Expense

Income tax expense for the Group remained relatively stable at approximately HK\$0.7 million for the years ended 31 December 2017 and 2018.

Loss for the year

For the year ended 31 December 2018, the Group recorded a loss attributed to owners of the Company of approximately HK\$4.1 million as compared to loss for the year ended 31 December 2017 of approximately HK\$6.0 million. The loss for the year ended 31 December 2018 was mainly attributable to (i) decrease in revenue due to delay in progress of certain projects; and (ii) written off of trade receivables.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2018, the Group had cash and bank balances of approximately HK\$16.0 million (2017: HK\$58.3 million).

As at 31 December 2018, the Group's total equity attributable to owners of the Company amounted to approximately HK\$68.9 million (2017: HK\$71.3 million). As of the same date, the Group's total debt, comprising bank borrowings and liability of the finance lease obligations, amounted to approximately HK\$21.0 million (2017: HK\$14.2 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 by 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 2018, the Group had borrowings of approximately HK\$21.0 million which was denominated in Hong Kong Dollars (2017: HK\$14.2 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 31 December 2018, the gearing ratio of the Group, calculated as the total interest-bearing liabilities divided by the total equity, was approximately 30.6% (2017: 20.0%).

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 of future growth opportunities.

CHARGE ON GROUP ASSETS

As at 31 December 2018, the Group has pledged its machinery and equipment with an aggregate net book value of approximately HK\$18.5 million (2017: HK\$8.7 million) and motor vehicles with an aggregate net book value of approximately HK\$2.6 million (2017: HK\$3.1 million).

As at 31 December 2018, the Group pledged the payment for a life insurance policy of a bank with the carrying amount of approximately HK\$2.5 million to secure the bank borrowings of the Group.

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 STRUCTURE

The shares of the Company were successfully listed on GEM of the Stock Exchange on 27 June 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 December 2018, the Company's issued share capital was HK\$10.0 million and the number of its issued ordinary shares was 1,000,000,000 of HK\$0.01 each.

CAPITAL COMMITMENTS

As at 31 December 2018, the Group had no material capital commitments (2017: HK\$2.8 million) contracted but not provided for property, plant and equipment. The details of capital commitments are set out in Note 27 to the consolidated financial statements of the annual report.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and in this announcement, the Group did not have other plans for material investments or capital assets as of 31 December 2018.

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

During the year ended 31 December 2018, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures saved for those related to the corporate reorganisation (as detailed in the Prospectus).

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities (2017: Nil).

FINAL DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2018 (2017: Nil).

During the year ended 31 December 2017, a wholly-owned subsidiary of the Company declared an interim dividend in the sum of HK\$9.0 million to its then shareholder, which approximately HK\$0.6 million were settled by cash and the remaining balance of approximately HK\$8.4 million was settled by offset against the amount due from a director.

USE OF PROCEEDS

The net proceeds from the Listing (after deducting the underwriting fees and other listing expenses borne by the Company) amounted to approximately HK\$39.4 million. After the Listing, a part of these proceeds have been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus and subsequently amended as summarised in the announcement of the Company dated 28 September 2018 (the “**Announcement**”).

An analysis of the utilisation of net proceeds from the Listing to 31 December 2018 is set out below:

	Total planned use of net proceeds	Planned use of net proceeds up to 31 December 2018	Actual use of net proceeds up to 31 December 2018
	HK\$ million	HK\$ million	HK\$ million
Strengthening the Group's machinery fleet	22.1	18.2	22.1
Expanding the Group's manpower	10.5	7.5	2.4
Purchase of steel materials	4.4	4.4	4.4
General working capital	2.4	2.4	2.4

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 2018, to the best knowledge of the Board, the Company has complied with the CG Code except for the deviation from provision A.2.1 of the CG Code which is expected below:

Provision A.2.1 of CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As Mr. Lau performs the roles of chairman and chief executive officer of the Company, the Company has deviated from this Code Provision from 1 November 2018. However, the Board believes that vesting the roles of both chairman and chief executive officer of the Company in Mr. Lau has the benefit of ensuring consistent and continuous planning and execution of the Company's strategies. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired in light of the diverse background and experience of the independent non-executive Directors, and the composition of the Board which comprises three independent non-executive Directors and two executive Directors also provides added independence to the Board. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 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 as at 31 December 2018 are set out in the consolidated statement of financial position. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018.

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 2018.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 7 June 2017. The chairman of the Audit Committee is Mr. Ng Ki Man, an independent non-executive Director of the Company, and other members included Mr. Iu Tak Meng Teddy and Mr. Chong Kam Fung, each an independent non-executive Director.

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.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The financial information has been reviewed by the Audit Committee.

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 2018 as set out in this announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2018. 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.

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
Chairman and Executive Director

Hong Kong, 25 March 2019

As at the date of this announcement, the Board comprises Mr. Lau Chung Ho and Ms. Deng Li as executive Directors; and Mr. Ng Ki Man, Mr. Iu Tak Meng Teddy and Mr. Chong Kam Fung as independent non-executive Directors.

This announcement will remain on the website of the Stock Exchange at 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.