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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

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**”, 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 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 herein or this announcement misleading.*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2019

Unaudited third quarterly results

The unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2019, together with the unaudited comparative figures for the corresponding periods in 2018, are as follows:

		Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2019	2018	2019	2018
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	4	37,849	19,081	70,947	98,722
Cost of sales		(34,726)	(17,205)	(66,263)	(85,377)
Gross profit		3,123	1,876	4,684	13,345
Other income and other gain	4	220	2,235	1,208	2,527
Administrative and other operating expenses	5	(2,058)	(2,403)	(8,040)	(9,865)
Operating (loss)/profit		1,285	1,708	(2,148)	6,007
Finance costs		(261)	(280)	(783)	(608)
(Loss)/profit before income tax		1,024	1,428	(2,931)	5,399
Income tax expense	6	(613)	(329)	(981)	(1,028)
(Loss)/profit and total comprehensive (expense)/income for the period attributable to owners of the Company		411	1,099	(3,912)	4,371
Basic and diluted (losses)/earnings per share (HK cent)	7	0.04	0.11	(0.39)	0.44

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> (Note a)	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 January 2018 (Audited)	<u>10,000</u>	<u>44,049</u>	<u>1</u>	<u>17,268</u>	<u>71,318</u>
Profit and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,371</u>	<u>4,371</u>
Balance at 30 September 2018 (Unaudited)	<u><u>10,000</u></u>	<u><u>44,049</u></u>	<u><u>1</u></u>	<u><u>21,639</u></u>	<u><u>75,689</u></u>

For the nine months ended 30 September 2019

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> (Note a)	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 January 2019 (Audited)	<u>10,000</u>	<u>44,049</u>	<u>1</u>	<u>14,835</u>	<u>68,885</u>
Adjustments (Note 2.1(c)(ii))	<u>–</u>	<u>–</u>	<u>–</u>	<u>(134)</u>	<u>(134)</u>
Loss and total comprehensive expense for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>(3,912)</u>	<u>(3,912)</u>
Balance at 30 September 2019 (Unaudited)	<u><u>10,000</u></u>	<u><u>44,049</u></u>	<u><u>1</u></u>	<u><u>10,789</u></u>	<u><u>64,839</u></u>

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 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 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 2019 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 2018, 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 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 2019:

Annual Improvements Project	Annual Improvements 2015 – 2017 Cycle
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases (new standard)
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments (new interpretation)

Except for HKFRS 16, Leases, none of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

(a) Changes in the accounting policies

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases – incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) *Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies*

(i) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) *Transitional impact*

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:	Carrying amount as at 31 December 2018 HK\$'000	Capitalisation of operating leases contracts HK\$'000	Carrying amount as at 1 January 2019 HK\$'000
Assets			
Right-of-use assets	–	629	629
Liabilities			
Lease liabilities	–	(763)	(763)
Equity			
Reserves	<u>(58,885)</u>	<u>134</u>	<u>(58,751)</u>

Note: For the purpose of reporting cash flows from operating activities under indirect method for the nine months ended 30 September 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 September 2019 HK\$'000	At 1 January 2019 HK\$'000
Properties leased for own use, carried at depreciated cost	<u>319</u>	<u>629</u>

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 September 2019 HK\$'000	At 1 January 2019 HK\$'000
Within 1 year	388	415
After 1 year but within 5 years	<u>62</u>	<u>348</u>
	<u>450</u>	<u>763</u>

(iii) Impact on the financial result

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the amortisation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported loss from operations in the Group's consolidated income statement, as compared to the results if HKAS 17 had been applied during the year.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result for the nine months ended 30 September 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

Financial results for the nine months ended 30 September impacted by the adoption of HKFRS 16	Amounts reported under HKFRS16 HK\$'000	Add back amortisation and interest expenses under HKFRS 16 HK\$'000	Less: estimated amounts relating to operating lease as if under HKAS 17 HK\$'000	Hypothetical amounts for 2019 as if under HKAS 17 HK\$'000	Amounts reported for 2018 under HKAS 17 HK\$'000
Operating (loss)/profit	(2,148)	310	(518)	(2,356)	6,007
Finance cost	(783)	206	–	(577)	(608)
(Loss)/profit before income tax	(2,931)	516	(518)	(2,933)	5,399

- (iv) The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 December 2018 could be reconciled to the lease liabilities recognized in the Group's consolidated statement of financial position as at the date of initial application (i.e. 1 January 2019).

	As at 1 January 2019 HK\$'000
Operating lease commitments as at 31 December 2018 (disclosed in the Group's consolidated financial statements for the year ended 31 December 2018)	1,377
<i>Less:</i> Future interest expenses	(289)
<i>Less:</i> Short-term leases accounted for as expense using the straight-line basis	(200)
<i>Less:</i> Adjustments for director's quarter expenses	(125)
Lease liabilities recognized as at 1 January 2019	763

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the consolidated statement of financial position as at 1 January 2019 is 3.98%.

2.2 The following new standards and revisions to standards have been issued, but are not effective and have not been early adopted by the Group:

HKFRS 17	Insurance Contracts (new standard)
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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.

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 2018.

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	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue				
Foundation and related works	<u>37,849</u>	<u>19,081</u>	<u>70,947</u>	<u>98,722</u>
	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income and other gain				
Rental income	15	–	683	–
Interest income	–	59	3	189
Gain on disposal of property, plant and equipment	–	2,176	–	2,176
Fair value change on assets at fair value through profit or loss	34	–	71	–
Others	<u>171</u>	<u>–</u>	<u>451</u>	<u>162</u>
	<u>220</u>	<u>2,235</u>	<u>1,208</u>	<u>2,527</u>

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		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	113	120	339	417
Depreciation of right-of-use assets	103	–	310	–
Operating lease rental on premises	3	350	209	1,054
Staff costs, including directors' emoluments	722	844	2,914	3,406
Other expenses	1,117	1,089	4,268	4,988
	<u>2,058</u>	<u>2,403</u>	<u>8,040</u>	<u>9,865</u>

6 Income tax expense

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

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 corresponding period.

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

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current income tax – Hong Kong profits tax	–	15	–	757
Deferred income tax	613	314	981	271
	<u>613</u>	<u>329</u>	<u>981</u>	<u>1,028</u>

7 (Losses)/earnings per share

	Unaudited Three months ended 30 September 2019		Unaudited Nine months ended 30 September 2019	
		2018		2018
(Loss)/profit for the period attributable to owners of the Company (<i>HK\$'000</i>)	411	1,099	(3,912)	4,371
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(losses) per share (<i>in thousand</i>)	1,000,000	1,000,000	1,000,000	1,000,000
Basic (losses)/earnings per share (<i>HK cent</i>)	0.04	0.11	(0.39)	0.44

The weighted average number of ordinary shares for the purpose of calculating basic earnings/(losses) per share for the nine months ended 30 September 2019 was derived from 1,000,000,000 ordinary shares in issue during the period.

Diluted (losses)/earnings per share is equal to the basic (losses)/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 2019 (2018: 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.

The shares of the Company were listed on GEM on 27 June 2017 by the way of public offer.

For the nine months ended 30 September 2019, the Group recorded a net loss of approximately HK\$3.9 million as compared to a net profit of approximately HK\$4.4 million for the same period in 2018.

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. The intense market competition has led to fewer number of successful tenders and quotations and lower value of contracts awarded to the Group. The Group's gross profit margin is also under pressure from the competitive project pricing on tenders and quotations, which in turn affect the financial performance of the Group. Nevertheless, the Group will continue to strive to improve its operational efficiency and business profitability. The Group will also proactively seek potential business opportunities that can broaden the sources of income of the Group and enhance value to the shareholders.

Financial Review

Revenue

The Group's revenue decreased by approximately 28.2% from approximately HK\$98.7 million for the nine months ended 30 September 2018 to approximately HK\$70.9 million for the nine months ended 30 September 2019, mainly due to the lower value of contracts awarded to the Group and delay in progress of certain projects.

Costs of Sales

The Group's cost of sales for the nine months ended 30 September 2019 was approximately HK\$66.3 million, representing a decrease of approximately 22.4% from HK\$85.4 million for the nine months ended 30 September 2018.

Gross Profit and Gross Profit Margin

The Group's gross profit for the nine months ended 30 September 2019 were approximately HK\$4.7 million, representing a decrease of approximately 64.7% from approximately HK\$13.3 million for the nine months ended 30 September 2018. The Group's gross profit margin for the nine months ended 30 September 2019 was approximately 6.6%, representing a decrease of approximately 6.9 percentage points as compared to approximately 13.5% for nine months ended 30 September 2018. Such decrease was primarily due to competitive project pricing arising from intense market competition and the delay in work progress of certain projects for the nine months ended 30 September 2019.

Other income and other gain

The Group's other income and other gain decreased by approximately 52.0% from approximately HK\$2.5 million for the nine months ended 30 September 2018 to approximately HK\$1.2 million for the nine months ended 30 September 2019, mainly attributable to the non-recurring gain on disposal of machineries for the nine months ended 30 September 2018.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses for the nine months ended 30 September 2019 were approximately HK\$8.0 million, representing a decrease of approximately 19.2% from approximately HK\$9.9 million for the nine months ended 30 September 2018. The decrease was primarily due to the decrease in staff costs and professional fees.

Loss/profit for the Period

For the nine months ended 30 September 2019, the Group recorded loss attributed to owners of the Company of approximately HK\$3.9 million as compared to profit for the nine months ended 30 September 2018 of approximately HK\$4.4 million.

Dividend

The Board does not recommend the payment of dividend for the nine months ended 30 September 2019.

OTHER INFORMATION

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

As at 30 September 2019, 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 of interest	Number of Shares held/ interested	Percentage of shareholding
Mr. Lau (<i>Note 1</i>)	Interested in a controlled corporation	510,000,000	51.0%

Note:

1. Mr. Lau and Ms. Yuen Suk Har 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.

As at the date of this announcement, Mr. Lau beneficially owns the entire issued share capital of Brightly Ahead as Mr. Lau succeeded 0.1% of issued share capital of Brightly Ahead from his deceased spouse.

Save as disclosed above, as at 30 September 2019, 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 30 September 2019, 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 2019, 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 nine months ended 30 September 2019.

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 2019.

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 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 2019.

Share Option Scheme

The Company conditionally adopted a share option scheme on 7 June 2017 (the “**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. Further details of the Share Option Scheme are set out in the section headed “D. Share Option Scheme” in Appendix IV to the prospectus of the Company dated 14 June 2017.

For the nine months ended 30 September 2019, 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 in 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 adopted the Corporate Governance Code (the “**CG Code**”) set out in Appendix 15 of the GEM Listing Rules. The Company has fully complied with the CG Code during the nine months ended 30 September 2019 except for the deviation from provision A.2.1 of the CG Code which is explained 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.

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 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. As at the date of this announcement, the Audit Committee comprises Mr. Ng Ki Man (the chairman of the Audit Committee), Mr. Iu 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 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.

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

The Audit Committee has reviewed with management of the Company on the accounting principles and practices adopted by the Group, the third quarterly report and the third quarterly results announcement of the Group for the nine months ended 30 September 2019. The condensed consolidated financial results for the nine months ended 30 September 2019 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
Chairman and Executive Director

Hong Kong, 5 November 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 of Hong Kong Limited 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.