



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

2020
INTERIM REPORT

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

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CORPORATE INFORMATION

Board of Directors

Executive Director:

Mr. Lau Chung Ho

(Chairman and Chief Executive Officer)

Independent Non-executive Directors:

Mr. Ng Ki Man

Mr. Lu Tak Meng Teddy

Mr. Chong Kam Fung

Audit Committee

Mr. Ng Ki Man *(Chairman)*

Mr. Lu Tak Meng Teddy

Mr. Chong Kam Fung

Remuneration Committee

Mr. Lu Tak Meng Teddy *(Chairman)*

Mr. Ng Ki Man

Mr. Chong Kam Fung

Nomination Committee

Mr. Chong Kam Fung *(Chairman)*

Mr. Ng Ki Man

Mr. Lu Tak Meng Teddy

Auditors

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

31/F, Gloucester Tower

The Landmark, 11 Pedder Street

Central

Hong Kong

Company Secretary

Ms. Yim Sau Ping

Authorised Representatives

Mr. Lau Chung Ho

Ms. Yim Sau Ping

Compliance Officer

Mr. Lau Chung Ho

Legal Advisors As To Hong Kong Laws

CFN Lawyers in association with

Broad and Bright

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Hong Kong

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Cayman Islands

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San Po Kong
Kowloon

Principal Share Registrar And Transfer Office In Cayman Islands

Ocorian Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Branch Share Registrar And Transfer Office In Hong Kong

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

Dah Sing Bank, Limited
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

Company's Website

www.wbgroupfw.com.hk

Stock Code

8460

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2020

Unaudited interim results

The unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2020, together with the unaudited comparative figures for the corresponding periods in 2019, are as follows:

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	4	24,893	13,671	72,428	33,098
Cost of sales		(23,472)	(13,341)	(66,345)	(31,537)
Gross profit		1,421	330	6,083	1,561
Other income and other gain	4	357	310	1,072	988
Administrative and other operating expenses	5	(2,121)	(2,961)	(4,748)	(5,982)
Operating (loss)/profit		(343)	(2,321)	2,407	(3,433)
Finance costs	6	(186)	(256)	(403)	(522)
(Loss)/profit before income tax		(529)	(2,577)	2,004	(3,955)
Income tax credit/(expense)	7	37	42	68	(368)
(Loss)/profit and total comprehensive (expense)/income for the period attributable to owners of the Company		(492)	(2,535)	2,072	(4,323)
Basic and diluted (loss)/earnings per share (HK cent)	8	(0.05)	(0.25)	0.21	(0.43)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

		Unaudited	Audited
	<i>Note</i>	30 June 2020 HK\$'000	31 December 2019 HK\$'000
ASSETS			
Non-current assets			
Right-of-use assets		16,988	18,667
Payment for life insurance policy		2,613	2,571
Property, plant and equipment	10	3,491	4,200
		23,092	25,438
Current assets			
Trade and other receivables	12	37,929	9,204
Contract assets		91,889	86,133
Cash and bank balances		3,920	7,129
		133,738	102,466
Total assets		156,830	127,904
EQUITY			
Capital and reserves			
Share capital	13	10,000	10,000
Reserves		53,080	51,008
Total equity		63,080	61,008

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AS AT 30 JUNE 2020

	<i>Note</i>	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		180	136
Deferred tax liabilities	11	2,118	2,336
		2,298	2,472
Current liabilities			
Trade and other payables	15	70,042	39,992
Tax payable		472	332
Lease liabilities		5,821	7,949
Borrowings	14	15,117	16,161
		91,452	64,424
Total liabilities		93,750	66,896
Total equity and liabilities		156,830	127,904
Net current assets		42,286	38,042
Total assets less current liabilities		65,378	63,480

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the Company				Total equity HK\$'000
	Share capital HK\$'000 <i>(Note 13)</i>	Share premium HK\$'000	Other reserve HK\$'000 <i>(Note i)</i>	Retained earnings HK\$'000	
Balance at 1 January 2019 (Audited)	10,000	44,049	1	14,835	68,885
Adjustment	—	—	—	(134)	(134)
Loss and total comprehensive expense for the period	—	—	—	(4,323)	(4,323)
Balance at 30 June 2019 (Unaudited)	10,000	44,049	1	10,378	64,428

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to owners of the Company				Total equity HK\$'000
	Share capital HK\$'000 <i>(Note 13)</i>	Share premium HK\$'000	Other reserve HK\$'000 <i>(Note i)</i>	Retained earnings HK\$'000	
Balance at 1 January 2020 (Audited)	10,000	44,049	1	6,958	61,008
Profit and total comprehensive expense for the period	—	—	—	2,072	2,072
Balance at 30 June 2020 (Unaudited)	10,000	44,049	1	9,030	63,080

Note:

- i) 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.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited	
	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities		
Net cash generated from/(used in) operations	588	(6,743)
Tax refund	—	2,592
<hr/>		
Net cash generated from/(used in) operating activities	588	(4,151)
<hr/>		
Cash flows from financing activities		
Repayment of finance leases	—	(3,661)
Drawdown of bank borrowings	13,048	9,679
Repayment of bank borrowings	(14,092)	(7,253)
Repayment of lease liabilities	(2,350)	(196)
Interest paid on finance leases	—	(227)
Interest paid on bank borrowings	(279)	(111)
Interest paid on lease liabilities	(124)	(161)
<hr/>		
Net cash used in financing activities	(3,797)	(1,930)
<hr/>		
Net decrease in cash and cash equivalents	(3,209)	(6,081)
Cash and cash equivalents at the beginning of period	7,129	16,041
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Cash and cash equivalents at end of period	3,920	9,960

NOTES TO INTERIM 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**”), the controlling party 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, Kowloon, 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 condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

2 Basis of preparation

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standards (“**HKAS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the unaudited condensed consolidated financial statements include the applicable disclosure provisions of the GEM Listing Rules and the Companies Ordinance (Chapter 622 of the laws of Hong Kong). 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 of the Group for the year ended 31 December 2019, 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 Basis of preparation (Continued)

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:

HKFRS 3	Definition of a Business (amendments)
HKAS 1 and HKAS 8	Definition of Material (amendments)
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting (amendments)

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 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ³

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

^{2.} Effective for annual periods beginning on or after a date to be determined.

^{3.} Effective for annual periods beginning on or after 1 June 2020.

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 interim 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 interim 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 2019.

4 Revenue, other income and other gain and segment information

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

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

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue				
Foundation and related works	24,893	13,671	72,428	33,098

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Timing of revenue recognition:				
Over time	24,893	13,671	72,428	33,098

4 Revenue, other income and other gain and segment information (Continued)

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Other income and other gain				
Government subsidy (Note)	40	—	90	—
Rental income	300	218	920	668
Interest income	—	1	—	3
Fair value change on assets at fair value through profit or loss	17	2	42	37
Others	—	89	20	280
	357	310	1,072	988

Note: Government subsidy relates to cash subsidy granted by the Government under the Anti-epidemic Fund with conditions having been satisfied.

5 Expenses by nature

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Depreciation of property, plant and equipment	25	113	50	226
Depreciation of right-of-use assets	153	34	306	207
Leasing expense	3	206	5	206
Staff costs, including directors' emoluments	845	1,118	1,766	2,192
Other expenses	1,095	1,490	2,621	3,151
	2,121	2,961	4,748	5,982

6 Finance costs

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Interest on finance leases	—	81	—	212
Interest on bank borrowings	134	38	279	160
Interest on lease liabilities	52	137	124	150
	186	256	403	522

7 Income tax (credit)/expense

Hong Kong profits tax has been provided at the rate of 8.25% for the first HK\$2 million of assessable profits and 16.5% for the assessable profits above HK\$2 million for the current period.

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

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Current income tax — Hong Kong profits tax	128	—	150	—
Deferred income tax (<i>Note 11</i>)	(165)	(42)	(218)	368
Income tax (credit)/expense	(37)	(42)	(68)	368

8 (Loss)/earnings per share

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020	2019	2020	2019
(Loss)/profit for the period attributable to owners of the Company (HK\$'000)	(492)	(2,535)	2,072	(4,323)
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share (in thousand)	1,000,000	1,000,000	1,000,000	1,000,000
Basic (loss)/earnings per share (HK cent)	(0.05)	(0.25)	0.21	(0.43)

The weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share for the six months ended 30 June 2020 and 2019 were derived from 1,000,000,000 ordinary shares in issue.

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

9 Dividends

The Board does not recommend a payment of an interim dividend for the six months ended 30 June 2020 (2019: Nil).

10 Property, plant and equipment

The Group did not acquire any item of property, plant and equipment for both periods.

11 Deferred tax liabilities

The components of deferred tax liabilities recognised in the condensed consolidated statement of financial position and the movements during the respective periods are as follows:

	Tax depreciation allowances HK\$'000	Expected credit losses provision HK\$'000	Total HK\$'000
Deferred tax liabilities			
At 1 January 2019	2,224	(4)	2,220
Charged to profit or loss	172	(56)	116
<hr/>			
At 31 December 2019 and 1 January 2020	2,396	(60)	2,336
Charged to profit or loss	(218)	—	(218)
<hr/>			
At 30 June 2020	2,178	(60)	2,118
<hr/>			

12 Trade and other receivables

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000	
Trade receivables	33,804	2,545	
Less: Provision for impairment losses	(21)	(21)	
	33,783	2,524	
<hr/>			
Other receivables, deposits and prepayments	4,146	6,680	
	37,929	9,204	
<hr/>			

12 Trade and other receivables (Continued)

Notes:

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

	Unaudited	Audited
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
0-30 days	5,363	760
31-60 days	2,854	695
61-90 days	—	437
Over 90 days	25,587	653
	33,804	2,545

As at 30 June 2020, trade receivables of approximately HK\$842,000 (As at 31 December 2019: HK\$1,785,000) were past due. Based on past experience and forward-looking estimates, the amounts are considered as recoverable.

13 Share capital

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	3,000,000,000	30,000
Issued and fully paid:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	1,000,000,000	10,000

14 Borrowings

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Current		
Bank borrowings	15,117	16,161
Total borrowings	15,117	16,161

14 Borrowings (Continued)

The interest rates per annum of borrowings ranged from 4.50% to 5.26% (31 December 2019: from 4.57% to 5.26%) as at 30 June 2020.

15 Trade and other payables

	Unaudited	Audited
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
Trade payables	60,890	31,176
Accrued employee benefit expenses	837	1,299
Other accruals and payables	1,718	2,977
Retention payables	6,597	4,540
	70,042	39,992

Note:

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

	Unaudited	Audited
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
0-30 days	1,345	409
31-60 days	5,998	2,398
61-90 days	6,527	17,041
Over 90 days	47,020	11,328
	60,890	31,176

16 Related party transactions

Compensation of key management personnel of the Group

Key management includes directors (executive and non-executive) and the chief executive of the Group. The compensation paid or payable to key management for employee services is disclosed as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Fee, discretionary bonuses, salaries, allowances and benefits in kind	393	482	787	900
Retirement scheme contributions	5	–	9	3
	398	482	796	903

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 excavation and lateral support 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 way of public offer.

For the six months ended 30 June 2020, the Group recorded a net profit of approximately HK\$2.1 million as compared to a net loss of approximately HK\$4.3 million for the same period in 2019.

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 competitive project pricing on tenders and quotations, which in turn affects 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 for 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 increased by approximately 118.8% from approximately HK\$33.1 million for the six months ended 30 June 2019 to approximately HK\$72.4 million for the six months ended 30 June 2020, mainly due to (i) increase in value of works certified in projects and (ii) projects completed on schedule attributed by improved work efficiency.

Costs of Sales

The Group's cost of sales increased from approximately HK\$31.5 million for the six months ended 30 June 2019 to approximately HK\$66.3 million for the six months ended 30 June 2020, which was generally consistent with the increased in revenue during the period.

Gross Profit and Gross Profit Margin

The Group's gross profit for the six months ended 30 June 2020 were approximately HK\$6.1 million, representing an increase of approximately 289.7% from approximately HK\$1.6 million for the six months ended 30 June 2019. The Group's gross profit margin for the six months ended 30 June 2020 was approximately 8.4%, representing an increase of approximately 3.7 percentage points as compared to approximately 4.7% for the six months ended 30 June 2019. Such increase was mainly attributable to the effects of (i) increase in value of works certified in projects and (ii) projects completed on schedule due to improved works efficiency for the six months ended 30 June 2020.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses for the six months ended 30 June 2020 were approximately HK\$4.7 million, representing a decrease of approximately 20.6% from approximately HK\$6.0 million for the six months ended 30 June 2019. The decrease was primarily due to the strengthening of cost control.

Profit/(loss) for the Period

For the six months ended 30 June 2020, the Group recorded profit attributed to owners of the Company of approximately HK\$2.1 million as compared to a loss for the six months ended 30 June 2019 of approximately HK\$4.3 million.

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 of the Company dated 14 June 2017 (the "**Prospectus**") and subsequently amended as summarized in the announcements of the Company dated 28 September 2018 and 18 June 2019, respectively (the "**Announcements**").

An analysis of the utilisation of net proceeds from the Listing as at 30 June 2020 is set out below:

	Planned use of net proceeds up to 30 June 2020	Actual use of net proceeds up to 30 June 2020	Unutilised net proceeds up to 30 June 2020
	HK\$'million	HK\$'million	HK\$'million
Strengthening the Group's machinery fleet	22.1	22.1	—
Expanding the Group's manpower	7.5	7.1	0.4
Purchase of steel materials	7.4	7.4	—
General working capital	2.4	2.4	—
Total	39.4	39.0	0.4

The remaining unutilised net proceeds as at 30 June 2020 were placed as deposits with licensed banks in Hong Kong and are currently intended to be applied in the manner consistent with the proposed allocations as set out in the Announcements. The remaining unutilised net proceeds are expected to be utilised by 31 December 2020.

Comparison Between Business Objectives with Actual Business Progress

The Group will endeavor to achieve the following business objectives:

Business Strategies as stated in the Prospectus and the Announcements	Business objectives up to 30 June 2020 as stated in the Prospectus and the Announcements	Actual business progress up to 30 June 2020
Strengthening the Group's machinery fleet	— To acquire crawler cranes for carrying out piling, excavation and lateral support and pile caps works in the Group's foundation and site formation projects	The Group has acquired 1 new telescopic boom crawler crane and 1 new heavy duty crawler crane.
	— To acquire two new hydraulic crawler drills for carrying out drilling and piling works in the Group's foundation and site formation projects	The Group has acquired 2 new hydraulic micro drilling rigs.
	— To acquire four new air compressors	The Group has acquired 4 new air compressors.

Business Strategies as stated in the Prospectus and the Announcements

Business objectives up to 30 June 2020 as stated in the Prospectus and the Announcements

Actual business progress up to 30 June 2020

	<ul style="list-style-type: none">– To acquire other supporting tools and equipment and accessories to enhance the Group's machinery fleet	The Group has acquired other supporting tools and equipment and accessories.
	<ul style="list-style-type: none">– To provide maintenance for the acquired machinery	The Group has paid the relevant maintenance expenditure during the period.
	<ul style="list-style-type: none">– Evaluate the capacity of the Group's machinery fleet and assess for the need for additional machinery and equipment	The Group has acquired 2 new generators.
Expanding the Group's manpower	<ul style="list-style-type: none">– Recruit a project manager and an assistant project manager to strengthen the Group's project management and supervision capabilities– Recruit two machinery operators to enhance the Group's capacity on project execution– Recruit a foreman and a site engineer to enhance the Group's capacity on project execution– Conduct staff training– Continue to assess the sufficiency of human resources having regard to the Group's business development	<p>The Group has hired 3 assistant project managers and recruited 1 project manager.</p> <p>The Group has hired 2 machinery operators.</p> <p>The Group has recruited 3 site engineers.</p> <p>The Group has provided internal training to staff.</p> <p>The Group is in the progress of recruiting a foreman.</p>
Purchase of steel materials	<ul style="list-style-type: none">– Purchase of steel sheet piles, steel H-piles and steel bars for the Group's pile cap construction works on projects located in Kowloon Tong and Sham Shui Po and the Group's latest project in hand	The Group has purchased steel sheet piles, steel H-piles and steel bars for the pile cap construction works.

Capital Structure, Liquidity and Financial Resources

The Shares 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 capital of the Group only comprises of ordinary shares.

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

As at 30 June 2020, the Group had cash and bank balances of approximately HK\$3.9 million (31 December 2019: HK\$7.1 million).

As at 30 June 2020, the Group's total equity attributable to owners of the Company amounted to approximately HK\$63.1 million (31 December 2019: HK\$61.0 million). As of the same date, the Group's total debt, comprising bank borrowings and lease liabilities, amounted to approximately HK\$21.1 million (31 December 2019: HK\$24.2 million).

On the Listing Date, the Company was listed on the GEM by way of public offer and completed the public offer of 250,000,000 Shares by offer price of HK\$0.24 per Offer 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 30 June 2020, the Group had borrowings of approximately HK\$21.1 million which was denominated in Hong Kong Dollars (31 December 2019: HK\$24.2 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 30 June 2020, the gearing ratio of the Group, calculated as the total debt divided by the total equity, was approximately 33.5% (31 December 2019: 39.7%).

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies, and Future Plans for Material Investments or Capital Assets

There was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the six months ended 30 June 2020. There was no future plan for material investments or capital assets as at 30 June 2020.

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. As such, the Directors are of the view that the Group did not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

Treasury Policies

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 take advantage of future growth opportunities.

Charge on Group Assets

As at 30 June 2020, the Group has pledged its machinery and equipment with an aggregate net book value of approximately HK\$14.8 million (31 December 2019: approximately HK\$16.0 million) and motor vehicles with an aggregate net book value of approximately HK\$1.5 million (31 December 2019: approximately HK\$1.9 million).

Contingent Liabilities

As at 30 June 2020, the Group did not have any material contingent liabilities (31 December 2019: Nil).

Capital Commitments

As at 30 June 2020, the Group did not have any capital commitments (31 December 2019: Nil) contracted but not provided for property, plant and equipment.

Segment Information

The Group principally operated in one business segment, which is the foundation subcontractors in the foundation and site formation industry.

Information on Employees

As at 30 June 2020, the Group had 23 full-time employees working in Hong Kong (As at 31 December 2019: 23). The total staff cost (including Director's emoluments and mandatory provident funds contributions) for the six months ended 30 June 2020 amounted to approximately HK\$5.6 million (for the six months ended 30 June 2019: HK\$7.3 million).

Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of trainings were provided to the employees.

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (2019: Nil).

Events After the Reporting Period

Unless otherwise disclosed herein, there has been no other important event affecting the Group since 30 June 2020 and up to the date of this report.

OTHER INFORMATION

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

As at 30 June 2020, 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	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 June 2020, 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 June 2020, the following person/entity (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be 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	Number of shares held/interested	Percentage of shareholding
Brightly Ahead	Beneficial owner	510,000,000	51.0%

Save as disclosed above, as at 30 June 2020, 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 six months ended 30 June 2020.

Competition and Conflict of Interests

None of the Directors, the controlling shareholders or substantial shareholders of the Company or any of its respective close associate 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 six months ended 30 June 2020.

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 shares of the Company. Having made specific enquiry with all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by the Directors during the six months ended 30 June 2020.

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 six months ended 30 June 2020, 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. The Company has fully complied with the CG Code during the six months ended 30 June 2020 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 Rule 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 and C.3.7 of the CG Code, the Company established an audit committee (the "**Audit Committee**") with written terms of reference aligned with the provision of the code provisions set out in Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this report, the Audit Committee comprises Mr. Ng Ki Man (the chairman of the Audit Committee), Mr. Lu Tak Meng Teddy and Mr. Chong Kam Fung, all of whom are independent non-executive Directors. The written terms of reference of the Audit Committee on 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, the interim report and the interim results announcement of the Group for the six months ended 30 June 2020. The condensed consolidated financial results for the six months ended 30 June 2020 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, 6 August 2020

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