HANDS FORM HOLDINGS LIMITED
恒新豐控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1920)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board ("**Board**") of directors (the "**Directors**") of Hands Form Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2023 (the "**Review Period**") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3A*	**41,235**	43,881
Cost of services		**(56,173)**	(68,713)
Gross loss		**(14,938)**	(24,832)
Other income	*4*	**4,073**	32
Fair value gain on financial assets at fair value through profit or loss		**62**	71
Allowance for impairment losses	*10*	**(7,551)**	(4,899)
Administrative expenses		**(4,403)**	(5,029)
Finance costs	*5*	**(203)**	(139)
Loss before tax	*6*	**(22,960)**	(34,796)
Income tax credit	*7*	**–**	86
Loss and total comprehensive expense for the period		**(22,960)**	(34,710)
Loss per share			
–Basic (HK cents)	*9*	**(0.74)**	(1.31)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	**30 June 2023 *HK$'000* (unaudited)**	31 December 2022 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment	*11*	**6,782**	9,364
Financial assets at fair value through profit or loss	*12*	**2,658**	2,596
		9,440	11,960
Current assets			
Trade receivables	*13*	**8,944**	6,472
Other receivables, deposits and prepayments	*14*	**26,721**	26,732
Contract assets	*15*	**49,595**	64,766
Bank balances and cash		**7,797**	14,006
		93,057	111,976
Current liabilities			
Trade and other payables	*16*	**11,010**	9,446
Contract liabilities	*15*	**–**	4
Bank borrowings	*17*	**9,661**	9,700
		20,671	19,150
Net current assets		**72,386**	92,826
Net assets		**81,826**	104,786
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	*18*	**31,200**	31,200
Reserves		**50,626**	73,586
Total equity		**81,826**	104,786

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 30 January 2019. The shares of the Company have been listed on the Main Board of the Stock Exchange on 16 August 2019. Its immediate and ultimate holding company is Wonderful Renown Limited ("**Wonderful Renown**"), a private limited company incorporated in the British Virgin Islands ("**BVI**"). The controlling shareholders of the Company are Mr. Adam Cheung, Ms. LC Cheung and Wonderful Renown.

The address of the registered office of the Company is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1−1108, Cayman Islands and the address of the principal place of business is Room 9, 2/F Hang Bong Commercial Centre, 28 Shanghai Street, Jordan, Kowloon, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in the provision of construction services including wet trades works (including plastering on floors, walls and ceilings, tile laying on internal and external walls and floors, brick laying and marble works) and other wet trades related ancillary works ("**Construction Services**") and provision of construction information technology services ("**Construction IT Services**").

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

The condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institution of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

These condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2022.

The preparation of the condensed consolidated financial statements in conformity with Hong Kong Financial Reporting Standards (the "**HKFRSs**") requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

These condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current period

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and amended HKFRSs effective as of 1 January 2023.

HKFRS 17	Insurance Contracts and the related Amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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:

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	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]

[1] Effective for annual periods beginning on or after 1 January 2024

[2] Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the condensed consolidated financial statements in the foreseeable future.

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

(i) Disaggregation of Revenue

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Type of service		
Construction Services	**40,869**	43,564
Construction IT Services	**366**	317
	41,235	43,881
Type of customer		
Private sector projects		
– Construction Services	**7,376**	16,696
– Construction IT Services	**366**	317
Public sector projects		
– Construction Services	**33,493**	26,868
	41,235	43,881

(ii) Performance Obligations for Contracts With Customers

The Group derives its revenue from provision of wet trades works and other wet trades related ancillary works are recognised over time. All the Group's services are rendered directly with the customers. Contracts with the Group's customers are agreed in fixed-price with terms from 1 month to 32 months.

3B. SEGMENT INFORMATION

Information is reported to the executive directors of the Company, who are also the chief operating decision maker ("**CODM**") of the Group, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

Specifically, the Group's reportable segments under HKFRS 8 Operating Segments are (i) Construction Services; and (ii) Construction IT Services.

(i) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the six months ended 30 June 2023

	Construction Services *HK$'000*	**Construction IT Services** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue			
– External	**40,869**	**366**	**41,235**
Segment results	**(26,143)**	**324**	**(25,819)**
Interest income			**72**
Unallocated other income			**3,917**
Unallocated corporate expenses			**(989)**
Fair value gain on financial assets at fair value through profit or loss ("**FVTPL**")			**62**
Finance costs			**(203)**
Loss before tax			**(22,960)**

For the six months ended 30 June 2022

	Construction Services *HK$'000*	Construction IT Services *HK$'000*	Consolidated *HK$'000*
Segment revenue			
– External	43,564	317	43,881
Segment results	(32,926)	203	(32,723)
Interest income			3
Unallocated other income			29
Unallocated corporate expenses			(2,037)
Fair value gain on financial assets at FVTPL			71
Finance costs			(139)
Loss before tax			(34,796)

There are no inter-segment sales for the Review Period. All of the segment revenue reported above is from external customers.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Group's annual consolidated financial statements as at 31 December 2022. Segment results represents the profit/(loss) from each segment without allocation of interest income, unallocated other income, unallocated corporate expenses, fair value gain on financial assets at FVTPL and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

(ii) Segment assets and liabilities

The CODM makes decisions according to operating results of each segment. No analysis of segment assets and liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

(iii) Other segment information

For the six months ended 30 June 2023

	Construction Services *HK$'000*	**Construction IT Services** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Depreciation of property, plant and equipment	**1,399**	–	–	**1,399**
Reversal of impairment losses on trade receivables	**(2,332)**	–	–	**(2,332)**
Allowance for impairment losses on contract assets	**9,883**	–	–	**9,883**

For the six months ended 30 June 2022

	Construction Services *HK$'000*	Construction IT Services *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Depreciation of property, plant and equipment	497	–	258	755
Reversal of impairment losses on trade receivables	(65)	(3)	–	(68)
Allowance for impairment losses on contract assets	4,967	–	–	4,967

(iv) Geographical information

The Group principally operates in Hong Kong, which is also its place of domicile. The Group's non-current assets are all located in Hong Kong.

4. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income	**72**	3
Government subsidy *(Note)*	**84**	–
Gain on disposal of property, plant and equipment	**3,917**	–
Sundry income	**–**	29
	4,073	32

Note: Government grants mainly include subsidy from Construction Industry Council's Employers Subsidy Scheme, all are compensations for incurred expenses and not asset related.

5. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on:		
Bank overdrafts	**–**	7
Bank borrowings	**203**	132
	203	139

6. LOSS BEFORE TAX

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	**1,399**	755
Rental expense on short-term leases in respect of warehouse, office premises and machines	**45**	142
Loss on disposal of property, plant and equipment	**–**	828
Staff costs (including the directors' and chief executive's remuneration):		
–Salaries and other benefits	**2,979**	2,824
–Contributions to Mandatory Provident Fund ("**MPF**")	**100**	90
Total staff costs	**3,079**	2,914

7. INCOME TAX CREDIT

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Income tax credit comprises:		
Hong Kong Profits Tax		
–Current tax	**–**	–
Deferred tax	**–**	86
	–	86

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits derived from or arising in Hong Kong during the six months ended 30 June 2023 and 2022.

8. DIVIDEND

No dividends were paid, declared or proposed for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil). The directors of the Company have determined that no dividend will be paid in respect of the Review Period.

9. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss		
Loss for the purpose of basic loss per share (loss for the period)	**(22,960)**	(34,710)

	Number of shares	
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share *(in thousand)*	**3,120,000**	2,643,094

No diluted loss per share is presented as there were no potential dilutive shares in issue for the six months ended 30 June 2023 and 2022.

10. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS ("ECL") MODEL

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Impairment loss recognised (reversed) in respect of		
Contract assets	**7,551**	4,967
Trade receivables	**–**	(68)
	7,551	4,899

11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

The Group did not have any addition of machinery and equipment during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

During the six months ended 30 June 2023, the Group disposed property, plant and equipment with net carrying amount of approximately HK$1,183,000, resulting in a net gain on disposal of $3,917,000 (Note 6). During the six months ended 30 June 2022, the Group disposed property, plant and equipment with net carrying amount of approximately HK$4,900,000, resulting in a net loss on disposal of approximately HK$828,000 (Note 6).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Key management personnel life insurance policy	**2,658**	2,596

The Group entered into a life insurance policy with an insurance company to insure against the death and permanent disability of an executive director. Under the policy, the beneficiary and policy holder are Pak Fai Engineering Limited, a subsidiary of the Company, and the total insured sum is the higher of (i) approximately US$404,000 (equivalent to HK$3,153,000); or (ii) guaranteed cash value and special bonus (if any); and the accumulated annual dividends and interest (if any). The contracts will be terminated on the occurrence of the earliest of the death of the key management personnel insured or other terms pursuant to the contracts. The Group has paid out the total insurance premium with an amount of approximately US$385,000 (equivalent to approximately HK$3,003,000) at the inception of the policy. The Group may request a surrender of the contracts at any time and receive cash back based on the cash value at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated annual dividends and interest (if any) and minus insurance charges. The fair value is based on redemption value quoted by the insurance company.

13. TRADE RECEIVABLES

	30 June 2023 *HK$'000* **(unaudited)**	31 December 2022 *HK$'000* (audited)
Trade receivables	**8,944**	6,472
Less: impairment loss allowance	**–**	–
	8,944	6,472

The following is an aged analysis of trade receivables, net of impairment loss allowance, presented based on the invoice date at the end of the reporting period:

	30 June 2023 *HK$'000* **(unaudited)**	31 December 2022 *HK$'000* (audited)
Within 30 days	**8,944**	5,880
31 to 60 days	**–**	–
Over 90 days	**–**	592
	8,944	6,472

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2023 *HK$'000* **(unaudited)**	31 December 2022 *HK$'000* (audited)
Other receivables and deposits	**175**	175
Prepayments	**26,546**	26,557
	26,721	26,732

15. CONTRACT ASSETS/LIABILITIES

The following is the analysis of the contract assets and contract liabilities:

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Contract assets	**86,075**	93,695
Less: impairment loss allowance	**(36,480)**	(28,929)
	49,595	64,766
Contract liabilities	**–**	(4)

Contract Assets

Amounts represent the Group's rights to considerations from customers for the provision of Construction Services, which arise when: (i) the Group completed the relevant services under such contracts; or (ii) the customers withhold certain amounts payable to the Group as retention money to secure the due performance of the contracts for a period of generally 12 months (defect liability period) after completion of the relevant works. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional.

The Group's contract assets are analysed as follows:

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Construction Services contracts		
– current		
Unbilled revenue*	**35,918**	50,411
Retention receivables	**13,677**	14,355
	49,595	64,766

* It represented the revenue not yet been billed to the customers which the Group has completed the relevant services under such contracts but yet certified by representatives appointed by the customers.

Changes of contract assets during the current interim period were mainly due to changes in: (1) the amount of retention receivables in accordance with the number of ongoing and completed contracts under the defect liability period during the current interim period; and (2) the size and number of contract works that the relevant services were completed but yet certified by representatives appointed by the customers at the end of each reporting period.

The Group's retention receivables included in the Group's contract assets will be settled at the expiry of the defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts. The balances are classified as current as they are expected to be received in its normal operating cycle.

16. TRADE AND OTHER PAYABLES

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables	**9,095**	7,653
Payroll and MPF payables	**465**	453
Accrued expenses	**1,450**	1,430
	1,915	1,793
Total	**11,010**	9,446

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 30 days	**9,095**	7,653
31 days to 60 days	**–**	–
61 days to 90 days	**–**	–
	9,095	7,653

17. BANK BORROWINGS

During the Review Period, the Group has not drawn any new bank borrowings (six months ended 30 June 2022: HK$2,000,000) and repaid bank borrowings of Nil (six months ended 30 June 2022: Nil). As at 30 June 2023 and 30 June 2022, the bank borrowings carry interest rate at 2.5% per annum below the prime lending rate for Hong Kong Dollars and 1.85% per annum over market rates of Hong Kong Interbank Offered Rate while the bank overdrafts carry effective interest rate at 2% per annum over market rates of Hong Kong Interbank Offered Rate. The bank borrowings are repayable by instalment till May 2028.

18. SHARE CAPITAL

Details of movement of the share capital of the Company are as follows:

	Number of ordinary shares	Share capital *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 31 December 2022 and 30 June 2023	4,000,000,000	40,000
Issued and fully paid:		
At 31 December 2022 and 30 June 2023	3,120,000,000	31,200

Note: On 16 June 2022, the Company allotted and issued 520,000,000 ordinary shares by way of placing, at a placing price of HK$0.03 per ordinary share for cash. The gross proceeds from the placing amounted to HK$15,600,000, among which, HK$5,200,000 were credited to the share capital of the Company and HK$10,400,000 (before issuing expenses) were credited to share premium of the Company.

All shares allotted and issued during the period rank pari passu in all respect with the existing issued shares.

19. SIGNIFICANT RELATED PARTY TRANSACTIONS

Apart from disclosure elsewhere in the condensed consolidated financial statements, the Group entered into the following transactions with related parties during the six months ended 30 June 2023 and 2022:

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Rental expenses paid to:		
Ma Do Success Limited *(Note)*	**–**	84

Note: A company directly owned as to approximately 40%, 30% and 15% by Mr. Adam Cheung, Ms. LC Cheung and Mr. Ma Kan Sun, respectively. In addition, Mr. Adam Cheung and Ms. LC Cheung are the directors of the company.

Key Management Personnel

The remuneration of the directors of the Company, close family members of a director of the Company and other key management personnel of the Group during the six months ended 30 June 2023 and 2022 was as follows:

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short term benefits	**1,462**	1,345
Post-employment benefits	**41**	41
	1,503	1,386

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a Hong Kong-based subcontractor engaged in the provision of wet trades works and the wet trades related ancillary works in Hong Kong. Since 2021, capitalising on our expertise and experience in providing wet trades related solutions, we established an online platform for subscribers to specify the payment application in our database.

Provision of wet trades and its related ancillary works

The Group provides wet trades works through its principal operating subsidiaries, namely, Pak Fai Engineering Limited ("**Pak Fai**") and Ma Yau Engineering Limited ("**Ma Yau**"). Both of the principal operating subsidiaries have been registered in the Registered Specialist Trade Contractors Scheme (formerly known as the Subcontractor Registration Scheme) of the Construction Industry Council. Pak Fai and Ma Yau first completed such registration under the predecessor scheme in April 2004 and our registration has since then covered finishing wet trades, marble, granite and stone work with a wide range of specialties including brick work, plastering and tiling, spray plaster and screeding, marble and granite works.

As at 30 June 2023, the original contract sum of the Group's ongoing projects (including projects that have commenced but not substantially completed as well as projects that have been awarded but not yet commenced) in aggregate amounted to approximately HK$27.5 million. As at the date of this announcement, the Group was in the course of bidding for or pending the tender results of four projects, with an estimated total contract sum of approximately HK$103.6 million.

Provision of construction information technology services

Based on our Directors' practical experience, any potential customers, such as wet trades service providers in the construction industry, who are not familiar with payment request and without connections to specialist contractors may eventually seek from external resources for assistance in performing their duties such as information on calculation of total work done in their projects.

During the Review Period, capitalising on our expertise and experience in providing passive wet trade payment request information technology solutions, we established an online platform to provide subscribers with information such as specifications of various wet trade services items in our database so as to assist customers to carry out monthly review on the contractor's payment requests.

In Hong Kong, business communities welcome the easing of COVID-19- related restrictions, awaiting a more dynamic market, yet the economic benefits of the recent policy shift have not been shown yet. While the domestic situation started to improve with the end of COVID-19-related limitations, it was soon dragged down by deteriorating external conditions and tightening financial situations. The hope is that lifting COVID-19 curbs could boost business sentiment in 2023, yet it could take some time to truly benefit the construction industry.

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 outbreak of COVID-19 in the past few years has had drastic effect on the Hong Kong economy and construction industry in terms of cash flows, operational efficiencies and completion progress of certain projects, including supply chain disruptions, workforce shortages due to illness and preventative quarantines and work stoppages due to measures imposed by the customers. Construction market in Hong Kong has been experiencing adjustment under weakened market sentiment.

In addition, the Board is of the view that due to the relatively high level of competition in the Hong Kong construction industry the Group's profit margin for new projects will continue to be under pressure when tendering. Due to the aforesaid COVID-19 related restrictions, there was overall delay in the work status of the Group's projects on hand and delayed the Group's cash flows from operation. Although the overall business environment has gradually improved during the Review Period, the Group's tendering result, were still not satisfying. The intense market competition may lead to smaller 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 financial performance of the Group.

In order to maintain its market share in the wet trades works industry, the Group will continue to closely monitor the market and respond to changes in market conditions. The Directors are confident that with the Group's reputation in the wet trades works industry and its experienced management team, the Group is in a good position to compete with its competitors. The Group will continue to improve its competitiveness in the market by continuing to provide quality works to its customers. The Group will also continue to proactively seek opportunities to expand its customer base and its market share and undertake more wet trades and wet trades related trade divisions projects which will enhance value to the shareholders of the Company (the "**Shareholders**").

The Group has been exploring other business opportunities and/or expanding the geographical coverage of the principal business of the Group beyond the Hong Kong market in order to enhance our future development and to strengthen the revenue bases of the Group. We believe that such exploration would be worthy so that we will be well-prepared to dive into any opportunities as they arise or come to our attention. We expect that diversification of our business will provide a better return to the Shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK$2.6 million or approximately 6.0% from approximately HK$43.9 million for the six months ended 30 June 2022 to approximately HK$41.2 million for the Review Period. The decrease in revenue was mainly due to (i) substantial completion of the projects on hand during the Review Period and competitive construction project pricing arising from intense market competition; and (ii) delay of certification of the Group's certain work done by the relevant customers as the relevant customers required additional time for certification of the work done involved in several variation orders of the relevant project.

Gross Loss and Gross Loss Margin

The gross loss of the Group for the Review Period amounted to approximately HK$14.9 million, representing a decrease of approximately 39.8% as compared to approximately HK$24.8 million gross loss for the six months ended 30 June 2022. The Group's gross loss margin for the Review Period was approximately 36.2%, as compared to gross loss margin approximately 56.6% for the six months ended 30 June 2022. The decrease in gross loss was mainly due to improving of costs control.

Other Income

Other income of the Group for the Review Period amounted to approximately HK$4.1 million, representing an increase of approximately 12,628.1% or HK$4.0 million as compared to approximately HK$32,000 for the six months ended 30 June 2022. The increase was primarily due to the increase in government subsidy received and a gain on disposal of property, plant and equipment during the Review Period.

Administrative Expenses

The administrative expenses of the Group for the Review Period amounted to approximately HK$4.4 million, representing a decrease of approximately 12.4% as compared to approximately HK$5.0 million for six months ended 30 June 2022. The decrease was mainly attributable to a one-off loss on disposal of property amounted HK$0.8 million in 2022.

Finance Costs

Finance costs of the Group for the Review Period were approximately HK$203,000, representing an increase of approximately 46.0% as compared to approximately HK$139,000 for the six months ended 30 June 2022. The increase was mainly attributable to increase in the interests on bank borrowings, which was primarily driven by the new bank borrowings in 2022 and increase in interest rate.

Net Loss

As a result of the foregoing, the Group reported loss attributed to owners of the Company of approximately HK$23.0 million for the Review Period as compared to the net loss of approximately HK$34.7 million for the six months ended 30 June 2022.

Interim Dividend

The Board did not recommend a payment of an interim dividend for the Review Period (six months ended 30 June 2022: nil).

Liquidity, Financial Resources and Capital Structure

The ordinary shares of the Company (the "**Shares**") were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 August 2019.

As at 30 June 2023, the Company's issued capital was HK$31,200,000 and the number of the Shares was 3,120,000,000 of HK$0.01 each.

As at 30 June 2023, the Group had total bank balances and cash of approximately HK$7.8 million (31 December 2022: approximately HK$14.0 million). The total borrowings of the Group, consisting of bank borrowings, as at 30 June 2023 were approximately HK$9.7 million (31 December 2022: approximately HK$9.7 million). All bank balances and borrowings were denominated in Hong Kong dollars. Interests are charged at fixed and floating rates. The Group did not carry out any interest rate hedging policy.

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

Pledge of Assets

As at 30 June 2023, the Group had pledged financial assets at fair value through profit or loss of approximately HK$2.7 million in order to secure bank facilities granted to the Group (31 December 2022: (i) leasehold land and buildings of net book value of approximately HK$1.2 million; and (ii) financial assets at fair value through profit or loss of approximately HK$2.6 million).

Foreign Exchange Risk

The Group mainly operates in Hong Kong. Most of the operating transactions and revenue were settled in Hong Kong dollars and the Group's assets and liabilities are primarily denominated in Hong Kong dollars. With the insignificant portion of monetary transactions and assets denominated in foreign currencies, the Group did not engage in any derivatives agreement and did not commit to any financial instrument to hedge its foreign exchange exposure during the Review Period (six months ended 30 June 2022: nil).

Gearing Ratio

As at 30 June 2023, the gearing ratio (calculated as total bank borrowings divided by the total equity) was approximately 11.8% (31 December 2022: approximately 9.3%). The increase in gearing ratio is mainly due to increase in accumulated losses resulting in decrease in total equity at 30 June 2023.

Significant Investment Held, Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Ventures

During the Review Period, the Group did not have any significant investments held or any material acquisitions or disposals of subsidiaries, associates or joint ventures.

Future Plans for Material Investments or Capital Assets

As at the date of this announcement, the Group does not have any other plans for material investments or capital assets.

Employees and Remuneration Policy

As at 30 June 2023, 14 employees fell into the Group's payroll (31 December 2022: 16 employees). Total staff costs included directors' emoluments for the Review Period amounted to approximately HK$3.1 million (six months ended 30 June 2022: approximately HK$2.9 million), salaries, wages and other staff benefits, contributions to retirement schemes and untaken paid leave. In order to attract and retain high quality staff and to enable smooth operation within the Group, the remuneration policy and package of the Group's employees are periodically reviewed. The salary and benefit levels of the employees of the Group are competitive (with reference to market conditions and individual qualifications and experience). The Group provides adequate job training to the employees to equip them with practical knowledge and skills. Apart from mandatory provident fund and job training programs, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance and market situation.

Capital Commitments and Contingent Liabilities

As at 30 June 2023, the Group had no material capital commitments or contingent liabilities (31 December 2022: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company adopted the code provisions as set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Pursuant to code provision C.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the Review Period, Mr. Adam Cheung was both the chairman of the Board and the chief executive officer of the Company. In view of Mr. Adam Cheung's strong expertise and insight of the wet trades works industry, role in the day-to-day management and operations of the Group and current positions as one of the directors of various members of the Group, the Board believes that it is in the best interests of the Group for Mr. Adam Cheung to take up the dual roles of chairman and chief executive officer. The Board considers that the deviation from code provision C.2.1 of the Code is appropriate in such circumstances and that there are sufficient checks and balances in place.

The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole. The Directors are aware that we are expected to comply with the Code. Any deviation from the Code should be carefully considered and disclosed in the interim and annual reports. Save as disclosed above, the Company will continue to comply with the Code to protect the best interests of the Shareholders.

Except for code provision C.2.1 of the Code, the Company complied with the Code during the Review Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as a code of conduct regarding the securities transactions of the Company by the Directors. Having made specific enquiries of the Directors, all Directors confirmed that they have complied with the requirements of the Model Code during the Review Period.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the Review Period.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

On 12 July 2023, the Board proposed to implement the share consolidation (the "**Share Consolidation**") on the basis that every ten (10) issued and unissued Shares of HK$0.01 each in the share capital of the Company will be consolidated into one (1) consolidated share of HK$0.10 each (the "**Consolidated Shares**"). An ordinary resolution to approve the Share Consolidation has been passed by the Shareholders at the extraordinary general meeting held on Friday, 11 August 2023. The Share Consolidation took effect on Tuesday, 15 August 2023 and as at the date of this announcement, the authorised share capital of the Company became HK$40,000,000 divided into 400,000,000 Consolidated Shares of HK$0.10 each, of which 312,000,000 Consolidated Shares has been in issue.

For further details, please refer to the announcements of the Company dated 12 July 2023 and 11 August 2023, and the circular of the Company dated 26 July 2023.

Save as disclosed above, the Directors are not aware of any significant events requiring disclosure after the Review Period and up to the date of this announcement.

AUDIT COMMITTEE

The Company established the audit committee ("**Audit Committee**") on 22 July 2019 in accordance with Rule 3.21 of the Listing Rules with terms of reference aligned with the provisions of the Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are, among other things, to make recommendations to the Board on the appointment, re-appointment and removal of external auditor; review the financial information; and oversee the financial reporting system and internal control procedures of the Company. The Audit Committee consists of three members, namely Ms. Ding Xin, Ms. Lo Yin Ping Patricia and Mr. Ho Kwok Lung. Ms. Ding Xin is the chairlady of the Audit Committee.

REVIEW OF INTERIM FINANCIAL RESULTS

The interim financial results of the Group for the Review Period are unaudited but have been reviewed and approved by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

By order of the Board
Hands Form Holdings Limited
Cheung Kwok Fai Adam
Chairman and Executive Director

Hong Kong, 28 August 2023

As at the date of this announcement, the Board comprises Mr. Cheung Kwok Fai Adam, Mr. Ng Sheung Chung and Mr. Ma Kan Sun as executive Directors and Ms. Ding Xin, Ms. Lo Yin Ping Patricia and Mr. Ho Kwok Lung as independent non-executive Directors.