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HANDS FORM HOLDINGS LIMITED

恆新豐控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1920)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the “**Board**”) of directors (the “**Directors**”) of Hands Form Holdings Limited (the “**Company**”) is pleased to present the first condensed consolidated interim financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2019 (the “**Review Period**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	3A	280,196	201,775
Costs of services		(245,473)	(177,101)
Gross profit		34,723	24,674
Other income	4	12	570
Increase in fair value of an investment property		—	730
Reversal of (allowance for) impairment losses	10	585	(96)
Administrative expenses		(2,809)	(1,472)
Finance costs	5	(152)	(6)
Listing expenses		(10,866)	—
Profit before taxation	7	21,493	24,400
Income tax expense	6	(5,188)	(3,592)
Profit and total comprehensive income for the period		16,305	20,808
Earnings per share			
— Basic (<i>HK cents</i>)	9	0.84	1.07

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

		30 June	31 December
		2019	2018
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Non-current asset			
Property, plant and equipment	<i>11</i>	8,019	7,918
		8,019	7,918
Current assets			
Trade receivables	<i>12</i>	35,148	31,189
Other receivables, deposits and prepayments	<i>13</i>	6,208	4,081
Amount due from a director		4,793	16,149
Contract assets	<i>14</i>	106,104	83,604
Bank balances and cash		188	18,123
		152,441	153,146
Current liabilities			
Trade and other payables	<i>15</i>	46,435	54,846
Contract liabilities	<i>14</i>	1,770	2,737
Income tax payable		11,663	6,570
Bank overdrafts	<i>16</i>	669	15,575
Bank borrowings	<i>16</i>	7,396	5,209
		67,933	84,937
Net current assets		84,508	68,209
Total assets less current liabilities		92,527	76,127

		30 June	31 December
		2019	2018
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Non-current liability			
Deferred tax liabilities		221	126
		<hr/>	<hr/>
Net assets		92,306	76,001
		<hr/>	<hr/>
Capital and reserves			
Share capital	<i>17</i>	—*	600
Reserves		92,306	75,401
		<hr/>	<hr/>
		92,306	76,001
		<hr/> <hr/>	<hr/> <hr/>

* The amount is less than HK\$1,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL, REORGANISATION 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. 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. Cheung Kowk Fai Adam (“**Mr. Adam Cheung**”), Ms. Cheung Lai Chun and Wonderful Renown.

In preparation of the proposed listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the companies now comprising the Group have completed a reorganisation on 28 February 2019 (the “**Reorganisation**”), pursuant to which the Company became the holding company of the companies now comprising the Group on 28 February 2019. Details of the Reorganisation are set out in Note 2 to the historical financial information of the accountants’ report (the “**Accountants’ Report**”) in Appendix I of the prospectus of the Company dated 6 August 2019 (the “**Prospectus**”).

The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The condensed consolidated financial statements have been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout the six months ended 30 June 2019 and 2018.

The shares of the Company have been listed on the Main Board of the Stock Exchange on 16 August 2019.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 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.

The Company is an investment holding company and the principal activities of the operating subsidiaries are provision of 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 in Hong Kong.

The functional currency of the Company is Hong Kong dollars (“**HK\$**”).

2. PRINCIPAL ACCOUNTING POLICIES

For the purpose of preparing and presenting the condensed consolidated financial statements for the six months ended 30 June 2019 and 2018, the Group has consistently applied HKFRSs that are effective for the financial year beginning on 1 January 2019 throughout both periods, except that the Group adopted *HKFRS 16 Leases* since 1 January 2019 and *HKAS 17 Leases* for the six months ended 30 June 2018.

The significant accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's historical financial information for the three months ended 31 March 2019 and the details are included in Note 4 to the historical financial information of the Accountants' Report in Appendix I of the Prospectus.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16")

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* ("**HKAS 17**"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

Starting from 1 January 2019, the Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 *Impacts and changes in accounting policies of application on HKFRS 16 Leases (“HKFRS 16”) (Continued)*

2.1.1 *Key changes in accounting policies resulting from application of HKFRS 16 (Continued)*

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to lease of warehouse and office premises to that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (“HKFRS 16”) (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (“HKFRS 16”) (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities (Continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “*Determining whether an Arrangement contains a Lease*” and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (“HKFRS 16”) (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, i.e. 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

At 1 January 2019

HK\$’000

Operating lease commitments disclosed as at	
31 December 2018	96
Less: Recognition exemption — short-term leases	(96)
	<hr/>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	—
	<hr/> <hr/>

Based on the assessment, the adoption of HKFRS 16 did not have significant impact on the Group’s financial position nor on the financial performance. Accordingly, no adjustment has been made to the accumulated profits as at 1 January 2019.

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

(i) Disaggregation of revenue

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Type of services		
Construction services	280,196	201,775
	=====	=====
Type of customer		
Private projects	278,697	186,841
Public projects	1,499	14,934
	=====	=====

(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 40 months.

3B. SEGMENT INFORMATION

(i) Segment information

Information is reported to the board of directors of the Company, who are also the chief operating decision maker ("CODM") of the Group, for the purposes of resource allocation and performance assessment. The CODM reviews the overall results and financial performance of the Group as a whole. No analysis of the Group's results, assets or liabilities and no discrete financial information is regularly provided to the CODM. Accordingly, only entity-wide disclosures on revenue, is presented in accordance with HKFRS 8 *Operating Segments*.

(ii) 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	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Rental income	—	81
Government subsidy (<i>Note</i>)	—	489
Sundry income	12	—
	<hr/>	<hr/>
	12	570
	<hr/> <hr/>	<hr/> <hr/>

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	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
<i>Interests on:</i>		
Bank overdrafts	60	6
Bank borrowings	92	—
	<hr/>	<hr/>
	152	6
	<hr/> <hr/>	<hr/> <hr/>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Income tax expenses comprises:		
Hong Kong Profits Tax		
— Current tax	5,093	3,631
Deferred tax	95	(39)
	<hr/>	<hr/>
	5,188	3,592
	<hr/> <hr/>	<hr/> <hr/>

The provision for Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rate regime for the six months ended 30 June 2019 and 2018. Under the two-tiered profits tax rate regime, the first \$2 million of assessable profits of qualifying group entity is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The profits of the group entities not qualifying for the two-tiered tax rates regime will continue to be taxed at a flat rate of 16.5%.

7. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	<u>340</u>	<u>157</u>
Staff costs (including the directors' and chief executive's remuneration):		
— Salaries and other benefits	8,386	3,974
— Contributions to Mandatory Provident Fund ("MPF")	<u>290</u>	<u>109</u>
Total staff costs	<u>8,676</u>	<u>4,083</u>
Gross rental income from an investment property recognised as other income	N/A*	(81)
Less: Direct operating expenses incurred for an investment property that generated rental income	<u>N/A*</u>	<u>2</u>
	<u>N/A*</u>	<u>(79)</u>

* In 30 October 2018, investment property with carrying amount of HK\$5,260,000 was transferred to property, plant and equipment as the management had changed the use of the property to owner occupation purpose as the warehouse. Thus, no gross rental income and the related expenses were recognised during the six months ended 30 June 2019.

8. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
Earnings for the purpose of basic earnings per share (profit for the period) (<i>HK\$'000</i>)	16,305	20,808
	=====	=====
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>in thousand</i>)	1,950,000	1,950,000
	=====	=====

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share during the six months ended 30 June 2019 and 2018 are retrospectively adjusted based on the reorganisation as detailed in Note 2 of the Accountants' Report in Appendix I of the Prospectus and taking into account the effect arising from capitalisation issue as detailed in Note 17(c).

No diluted earnings per share is presented as there were no potential dilutive shares in issue for the six months ended 30 June 2019 and 2018.

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Impairment loss reversed (recognised) in respect of		
Contract assets	185	210
Trade receivables	400	(306)
	=====	=====
	585	(96)
	=====	=====

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Accountants' Report in Appendix I of the Prospectus.

11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group had approximately HK\$441,000 (six months ended 30 June 2018: nil) addition of machinery and equipment.

12. TRADE RECEIVABLES

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Trade receivables	35,211	31,652
Less: impairment loss allowance	(63)	(463)
	<u>35,148</u>	<u>31,189</u>

The following is an analysis of trade receivables by age, presented based on the invoice date at the end of the reporting period:

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Within 30 days	30,273	20,853
31 to 60 days	4,875	9,921
61 days to 90 days	—	415
	<u>35,148</u>	<u>31,189</u>

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2019 <i>HK\$'000</i> (unaudited)	As at 31 December 2018 <i>HK\$'000</i> (audited)
Other receivables and deposits	634	171
Prepaid listing expenses	691	3,334
Deferred issue costs	4,883	576
	<hr/> 6,208 <hr/>	<hr/> 4,081 <hr/>

14. CONTRACT ASSETS/LIABILITIES

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

	As at 30 June 2019 <i>HK\$'000</i> (unaudited)	As at 31 December 2018 <i>HK\$'000</i> (audited)
Contract assets	106,813	84,498
Less: impairment loss allowance	(709)	(894)
	<hr/> 106,104 <hr/>	<hr/> 83,604 <hr/>
Contract liabilities	(1,770)	(2,737)

14. CONTRACT ASSETS/LIABILITIES (Continued)

Contract assets and contract liabilities arising from the same contract are presented on net basis.

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.

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Construction contracts — current		
Unbilled revenue*	82,351	61,441
Retention receivables	23,753	22,163
	<hr/> 106,104 <hr/>	<hr/> 83,604 <hr/>

* 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 increase 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 within next twelve months.

15. TRADE AND OTHER PAYABLES

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

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Trade payables	<u>43,020</u>	<u>52,445</u>
Payroll and MPF payables	1,261	959
Accrued share issue costs	520	261
Accrued listing expenses	1,634	966
Purchase of machinery payables	—	196
Others	—	19
	<u>3,415</u>	<u>2,401</u>
Total	<u><u>46,435</u></u>	<u><u>54,846</u></u>

The following is an analysis of trade payables by age, presented based on the invoice date at the end of each reporting period:

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Within 30 days	43,020	52,415
31 days to 60 days	—	30
	<u>43,020</u>	<u>52,445</u>

16. BANK OVERDRAFTS AND BORROWINGS

During the current interim period, the Group has drawn new bank borrowings amounting to HK\$5,000,000 (six months ended 30 June 2018: nil) and repaid bank borrowings and bank overdrafts of HK\$2,813,000 and HK\$14,906,000, respectively (six months ended 30 June 2018: nil). As at 30 June 2019, the bank borrowings and bank overdrafts carry effective interest rate at 5.25% per annum and market rates of Hong King Interbank Offered Rate plus 2.5% per annum, respectively (as at 31 December 2018: at 5.25% per annum and market rates of Hong King Interbank Offered Rate plus 2.5% per annum). The bank borrowings and bank overdrafts are repayable by instalment till November 2019 and repayable on demand, respectively.

17. SHARE CAPITAL

The issued share capital as at 1 January 2018, 30 June 2018 and 1 January 2019 represented the combined share capital of Pak Fai and Ma Yau. Pak Fai was incorporated on 21 April 1989 with a paid up capital of HK\$300,000 divided into 300,000 shares. Ma Yau was incorporated on 24 March 1997 with a paid up capital of HK\$300,000 divided into 300,000 shares.

The issued share capital as at 30 June 2019 represented the share capital of the Company.

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

	<i>Notes</i>	Number of shares	Amount HK\$
Ordinary shares of HK\$0.01 each			
<i>Authorised:</i>			
At 30 January 2019 (date of incorporation) and 30 June 2019 (unaudited)		10,000,000	100,000
<i>Issued and fully paid:</i>			
At date of incorporation	(a)	1	—*
New shares issued for the Reorganisation on 28 February 2019	(b)	9,999	100
At 30 June 2019 (unaudited)		10,000	100

Note: All shares issued rank *pari passu* therewith.

* The amount is less than HK\$1.

17. SHARE CAPITAL (Continued)

- (a) On 30 January 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability, the authorised share capital of the Company was HK\$100,000 divided into 10,000,000 shares of par value HK\$0.01 each at the time of incorporation. One nil-paid share was issued to the initial subscriber and transferred to Wonderful Renown on the same day.
- (b) On 28 February 2019, Wonderful Renown as vendor and the Company as purchaser entered into a sale and purchase agreement, pursuant to which the Company acquired 1 ordinary share of par value US\$1.00 of Autumn Well (representing its only issued share) from Wonderful Renown. The consideration for acquisition was satisfied by (i) the Company credited as fully paid at par the 1 nil-paid share held by Wonderful Renown, and (ii) the Company issued and allotted 9,999 shares, credited as fully paid, to Wonderful Renown.
- (c) Subsequent to 30 June 2019, pursuant to the resolutions of the Company's sole shareholder, the Company's authorised share capital was increased from HK\$100,000 to HK\$40,000,000 by the creation of an additional 3,990,000,000 shares of par value HK\$0.01. Further, the Company allotted and issued a total of 1,949,990,000 new ordinary shares on 22 July 2019 by way of capitalisation of a sum of HK\$19,499,900 reserve of the Company ("**Capitalisation Issue**"). Such shares rank *pari passu* in all respects with then existing shares of the Company. Upon the completion of the Capitalisation Issue, the number of ordinary shares for the Company increased to 1,950,000,000.

18. RELATED PARTY TRANSACTIONS

Apart from disclosure elsewhere in the condensed consolidated financial statements, the Group entered into the following transactions and balances with related parties during the six months ended 30 June 2019:

Transactions

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(audited)
<i>Rental expense for renting office premise from a shareholder</i>		
Mr. Adam Cheung	70	—
	<u>70</u>	<u>—</u>

18. RELATED PARTY TRANSACTIONS (Continued)

Key management personnel

The remuneration of the directors of the Company and other key management personnel of the Group during the interim period are as follows:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short term benefits	1,701	757
Post-employment benefits	44	26
	<u>1,745</u>	<u>783</u>

Balances

	As at	As at	Maximum
	30 June	31 December	amount
Amount due from a director	2019	2018	outstanding
	<i>HK\$'000</i>	<i>HK\$'000</i>	during the
			six months
			ended
			30 June
			2019
			<i>HK\$'000</i>
Non-trade related			
— Mr. Adam Cheung	<u>4,793</u>	<u>16,149</u>	<u>28,938</u>

The balances of amount due from a director as at 31 December 2018 and 30 June 2019 are non-trade related, unsecured, repayable on demand and interest-free.

All the balances as at 30 June 2019 were fully settled after the end of reporting period.

19. EVENTS AFTER THE END OF THE REPORTING PERIOD

- a) On 22 July 2019, written resolutions of the then shareholder of the Company were passed to approve the following matters:
- (i) the authorised share capital was increased from HK\$100,000 to HK\$40,000,000 by the creation of an additional 3,990,000,000 shares of par value HK\$0.01;
 - (ii) conditional on the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the share offer, the directors of the Company were authorised to capitalise HK\$19,499,900 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 1,949,990,000 shares for allotment and issue to shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on 22 July 2019 in proportion to their respective shareholdings in the Company. All the shares allotted and issued shall rank *pari passu* in all respects with the then existing issued shares; and
 - (iii) conditionally approved and adopted the share option scheme, the principal terms of which are set out in the paragraph headed “Other information — 1. Share Option Scheme” in Appendix IV to the Prospectus, and the directors of the Company were authorised to grant options to subscribe for the share thereunder and to allot, issue and deal with the shares pursuant to the exercise of options granted under the share option scheme.
- b) On 16 August 2019, 650,000,000 shares of HK\$0.01 each were issued at a price of HK\$0.20 per share in connection with the Company’s share offering and listing of its shares on the Main Board of the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is an established subcontractor in Hong Kong and principally engage in the provision of wet trades works and other wet trades related ancillary works. Wet trades works include plastering on floors, walls and ceilings, tile laying on internal and external walls and floors, brick laying and marble 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 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.

On 16 August 2019 (the “**Listing Date**”), the shares of the Company (the “**Shares**”) were successfully listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), making an important milestone of the Company’s business.

For the Review Period, the Group recorded a net profit of approximately HK\$16.3 million as compared to a net profit of approximately HK\$20.8 million for the same period in 2018. The Directors are of the view that the decrease in net profit was primarily due to the non-recurring listing expenses of approximately HK\$10.9 million incurred during the Review Period. Setting aside the listing expenses, the Group’s net profit for the Review Period would be approximately HK\$27.2 million.

The Directors are aware that the keen industry competition and increase in overall construction cost may continually affect the Group’s gross profit and profit margin. In order to maintain its market share in the wet trades works industry, the Group will 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 proactively seek opportunities to expand its customer base and its market share and undertake more wet trades projects which will enhance value to the shareholders of the Company.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$78.4 million or approximately 38.9% from approximately HK\$201.8 million for the six months ended 30 June 2018 to approximately HK\$280.2 million for the Review Period. The increase in revenue was mainly driven by the revenue contributed by some of our existing sizable projects during the Review Period.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the Review Period amounted to approximately HK\$34.7 million, representing an increase of approximately 40.7% as compared with approximately HK\$24.7 million for the six months ended 30 June 2018. The Group's gross profit margin for the Review Period was approximately 12.4%, as compared with approximately 12.2% for the six months ended 30 June 2018. The increase in gross profit was primarily due to the increase in revenue as discussed above, while the Group's gross profit margin remained broadly stable.

Other Income

Other income of the Group for the Review Period amounted to approximately HK\$12,000, representing a decrease of 97.9% or HK\$558,000 compared with approximately HK\$570,000 for the six months ended 30 June 2018. The decrease was primarily due to the absence of rental income and government subsidy for the Review period.

Administrative Expenses

The administrative expenses of the Group for the Review Period amounted to approximately HK\$2.8 million, representing an increase of approximately 90.8% compared with approximately HK\$1.5 million for six months ended 30 June 2018. The increase was mainly attributable to (i) the increase of administrative staff costs (including directors' emoluments) due to the increase of our administration, accounting and finance staff who joined us during the second half of 2018 and the general increment in salaries and bonus for the Directors and administrative, accounting and finance staff.

Finance Costs

Finance costs of the Group for the Review Period were approximately HK\$152,000, representing an increase of approximately 2,433.3% compared with approximately HK\$6,000 for the six months ended 30 June 2018. The significant increase was mainly attributable to an increase in the interests on bank overdrafts and bank borrowings, which was primarily driven by the Group's business growth and increasing working capital for sustaining its business operation. The bank borrowings were drawn down in late 2018, thus no interest of bank borrowings attributed to finance costs for the six months ended 30 June 2018.

Income Tax Expense

Income tax expense increased by approximately 44.4% from approximately HK\$3.6 million for the six months ended 30 June 2018 to approximately HK\$5.2 million for the Review Period. The increase was primarily due to the increase of the Group's profit before taxation as a result of all of the aforesaid factors and in particular the increase in revenue and gross profit for the Review Period.

Net Profit

Profit attributable to owners of the Company for the Review Period decreased by approximately HK\$4.5 million or approximately 21.6% from approximately HK\$20.8 million for the six months ended 30 June 2018 to HK\$16.3 million for the Review Period. The decrease in the Group's net profit for the Review Period was mainly due the non-recurring listing expenses of approximately HK\$10.9 million incurred during the Review Period (for the six months ended 30 June 2018: nil).

Interim Dividend

The Board did not recommend a payment of an interim dividend for the Review Period (six months ended 30 June 2018: nil).

Liquidity, Financial Resources and Capital Structure

The Shares were successfully listed on the Main Board of the Stock Exchange on the Listing Date and there has been no change in capital structure of the Group since then.

As at 30 June 2019, the Company's issued capital was HK\$100 and the number of its issued ordinary shares was 10,000 of HK\$0.01 each.

As at 30 June 2019, the Group had total cash and bank balances of approximately HK\$188,000 (31 December 2018: approximately HK\$18.1 million). The total borrowings of the Group, consisting of bank overdraft and bank borrowings, as at 30 June 2019 were approximately HK\$8.1 million (31 December 2018: approximately HK\$20.8 million). All 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.

Gearing Ratio

Gearing ratio is calculated by dividing total borrowings (i.e. bank overdrafts and bank borrowings) by total equity at the period-end date and expressed as a percentage. The gearing ratio of the Group as at 30 June 2019 was approximately 8.7% (31 December 2018: approximately 27.3%). The decrease in gearing ratio is mainly due to the lower total indebtedness level from the repayment of bank borrowings during the Review Period.

Pledge of Assets

As at 30 June 2019, the Group had approximately HK\$6.6 million of net book value of its leasehold land and buildings pledged for banking facilities (31 December 2018: HK\$6.6 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 2018: nil).

Significant Investment, Material Acquisitions or Disposal of Subsidiaries and Associated Companies

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

Future Plans for Material Investments or Capital Assets

Save as disclosed under the section headed “Future Plans and Use of Proceeds” to the prospectus of the Company dated 6 August 2019 (“**Prospectus**”), the Group does not have any other plans for material investments or capital assets.

Employees and Remuneration Policy

As at 30 June 2019, 42 staff fell into the Group’s payroll (31 December 2018: 35 staff). Total staff costs included directors’ emoluments for the Review Period amounted to approximately HK\$8.7 million (six months ended 30 June 2018: approximately HK\$4.1 million), salaries, wages and other staff benefits, contributions and retirement schemes, provisions for staff long service payment 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 2019, the Group had no material capital commitments or contingent liabilities (31 December 2018: nil).

Use of Net Proceeds from the Listing

The Group completed its Listing and received net proceeds of approximately HK\$90 million. The net proceeds received from the Group’s Listing will be used in the manner consistent with that mentioned in the section headed “Future Plans and Use of Proceeds” of the Prospectus. Since the Listing Date and up to date of this announcement, the net proceeds has not been applied for any use.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE “CODE”)

Pursuant to code provision A.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. Currently, Mr. Adam Cheung is 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 A.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 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 of the Company.

Except for code provision A.2.1, the Company has adopted and complied with the Code contained in Appendix 14 to the Listing Rules since the Listing Date and up to the date of this announcement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

As the Shares have not been listed on the Stock Exchange as at 30 June 2019, the Model Code set out in Appendix 10 of the Listing Rules was not applicable to the Company during the Review Period. The Company has adopted the Model Code as a code of conduct of the Company for Directors’ securities transactions. Having made specific enquiries of the Directors, all Directors have confirmed that they have complied with the requirements of the Model Code from the Listing Date and up to the date of this announcement.

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 from the Listing Date and up to the date of this announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its Shares as required under the Listing Rules during the period from the Listing Date and up to the date of this announcement.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

Pursuant to the written resolutions passed by the then sole shareholder of the Company on 22 July 2019, conditional on the share premium account of the Company being credited as a result of the allotment and issue of Shares by the Company for listing, on the Listing Date 1,949,990,000 Shares were allotted and issued to the shareholder of the Company whose name appears on the register of members of the Company as at 22 July 2019 in proportion to their then shareholdings in the Company through the capitalisation of HK\$19,499,900 standing to the credit of the share premium account of the Company.

On the Listing Date, 650,000,000 Shares of HK\$0.01 each were issued at a price of HK\$0.20 per Share in connection with the Company's share offering and listing of its Shares on the Main Board of the Stock Exchange.

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 provision 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 recommendation to the Board on the appointment, reappointment 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 Mr. Pak Shek Kuen, Mr. Lo Chi Hung and Mr. Ho Kwok Lung. Mr. Pak Shek Kuen is the chairman 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.

The condensed consolidated interim financial statements for the Review Period have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

Hong Kong, 30 August 2019

As at the date of this announcement, the executive Directors are Mr. Cheung Kwok Fai Adam, Mr. Ng Sheung Chung and Mr. Ma Kan Sun, and the independent non-executive Directors are Mr. Pak Shek Kuen, Mr. Lo Chi Hung and Mr. Ho Kwok Lung.