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 2020

The board (the "**Board**") of directors (the "**Directors**") of Hands Form Holdings Limited (the "**Company**") is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020 (the "**Review Period**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	NOTES	***HK\$'000***	*HK\$'000*
		(unaudited)	(unaudited)
Revenue	*3A*	**207,422**	280,196
Costs of services		**(189,501)**	(245,473)
Gross profit		**17,921**	34,723
Other income	*4*	**238**	12
(Allowance for) reversal of impairment losses	*10*	**(507)**	585
Administrative expenses		**(4,497)**	(2,809)
Finance costs	*5*	**(161)**	(152)
Listing expenses		—	(10,866)
Profit before tax	*7*	**12,994**	21,493
Income tax expense	*6*	**(1,988)**	(5,188)
Profit and total comprehensive income for the period		**11,006**	16,305
Earnings per share			
— Basic *(HK cents)*	*9*	**0.42**	0.84

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	NOTES	30 June 2020 HK$'000 (unaudited)	31 December 2019 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*11*	**12,951**	11,174
Deposit for acquisition of property, plant and equipment		**—**	2,745
		12,951	13,919
Current assets			
Trade receivables	*12*	**17,779**	28,158
Other receivables, deposits and prepayments	*13*	**53,832**	65,044
Contract assets	*14*	**187,269**	130,126
Bank balances and cash		**9,711**	24,696
		268,591	248,024
Current liabilities			
Trade and other payables	*15*	**25,451**	19,742
Contract liabilities	*14*	**3,540**	2,165
Income tax payable		**3,779**	14,514
Bank overdrafts	*16*	**—**	3,815
Bank borrowings	*16*	**8,291**	—
		41,061	40,236
Net current assets		**227,530**	207,788
Total assets less current liabilities		**240,481**	221,707

	NOTES	30 June 2020 HK$'000 (unaudited)	31 December 2019 HK$'000 (audited)
Non-current liabilities			
Deferred tax liabilities		**362**	270
Bank borrowings	*16*	**7,676**	—
		8,038	270
Net assets		**232,443**	221,437
Capital and reserves			
Share capital	*17*	**26,000**	26,000
Reserves		**206,443**	195,437
		232,443	221,437

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 Kwok 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.

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.

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 2019.

The preparation of the condensed consolidated financial statements in conformity with Hong Kong Financial Reporting Standards 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.

1. GENERAL, REORGANISATION AND BASIS OF PREPARATION *(Continued)*

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. ADOPTION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2020

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 2019, except for the adoption of the following new and amended HKFRSs effective as of 1 January 2020. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of these new and amended HKFRSs in the current period has had no material impact on the Group's financial performance and position for the current and prior periods and/or disclosure set out in these condensed consolidated financial statements.

2. ADOPTION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Issued but not yet effective HKFRSs

The Group has not early adopted the following new and amended HKFRSs that have been issued but are not yet effective.

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 16	Covid-19 Related Rent Concessions[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020[3]

1 Effective for annual periods beginning on or after 1 June 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after a date to be determined
5 Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

The Group is in the process of making an assessment of the impact of these new and amended HKFRSs upon initial application. The directors of the Company consider that the adoption of these new and amended HKFRSs is unlikely to have a material impact on the Group's results of operations and financial position.

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

(i) Disaggregation of revenue

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Type of services		
Construction services	**207,422**	280,196
Type of customer		
Private sector projects	**207,422**	278,697
Public sector projects	**—**	1,499

(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 33 months.

3B. SEGMENT INFORMATION

(i) 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 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	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income	**45**	—
Rental income	**77**	—
Government subsidy *(Note)*	**50**	—
Sundry income	**66**	12
	238	12

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	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interests on:		
Bank overdrafts	**11**	60
Bank borrowings	**150**	92
	161	152

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Income tax expenses comprises:		
Hong Kong Profits Tax		
— Current tax	**1,896**	5,093
Deferred tax	**92**	95
	1,988	5,188

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 2020 and 2019. Under the two-tiered profits tax rate regime, the first HK$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 TAX

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	**875**	340
Staff costs (including the directors' and chief executive's remuneration):		
— Salaries and other benefits	**7,708**	8,386
— Contributions to Mandatory Provident Fund ("**MPF**")	**269**	290
Total staff costs	**7,977**	8,676

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	
	2020	2019
	(unaudited)	(unaudited)
Earnings for the purpose of basic earnings per share (profit for the period) *(HK$'000)*	**11,006**	16,305
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share *(in thousand)*	**2,600,000**	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 is retrospectively adjusted based on the Reorganisation as described in Note 1 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 2020 and 2019.

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

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Impairment loss reversed (recognised) in respect of		
Contract assets	**(704)**	185
Trade receivables	**197**	400
	(507)	585

11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group had approximately HK$2,652,000 (six months ended 30 June 2019: HK$441,000) addition of machinery and equipment.

12. TRADE RECEIVABLES

	As at 30 June	As at 31 December
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**17,799**	28,375
Less: impairment loss allowance	**(20)**	(217)
	17,779	28,158

12. TRADE RECEIVABLES *(Continued)*

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

	As at 30 June 2020	As at 31 December 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 30 days	**13,842**	20,524
31 to 60 days	**3,937**	7,634
	17,779	28,158

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2020	As at 31 December 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Other receivables and deposits	**506**	413
Prepayments	**53,326**	64,631
	53,832	65,044

14. CONTRACT ASSETS/LIABILITIES

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

	As at 30 June 2020	As at 31 December 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Contract assets	**188,986**	131,139
Less: impairment loss allowance	**(1,717)**	(1,013)
	187,269	130,126
Contract liabilities	**(3,540)**	(2,165)

14. CONTRACT ASSETS/LIABILITIES *(Continued)*

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:

	As at 30 June 2020	As at 31 December 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Construction contracts — current		
Unbilled revenue*	**162,731**	104,199
Retention receivables	**24,538**	25,927
	187,269	130,126

* 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 in its normal operating cycle.

15. TRADE AND OTHER PAYABLES

	As at 30 June 2020 HK$'000 (unaudited)	As at 31 December 2019 HK$'000 (audited)
Trade payables	**22,005**	16,065
Payroll and MPF payables	**452**	1,179
Accrued expenses	**2,994**	2,427
Others	**—**	71
	3,446	3,677
Total	**25,451**	19,742

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

	As at 30 June 2020 HK$'000 (unaudited)	As at 31 December 2019 HK$'000 (audited)
Within 30 days	**22,005**	16,065

16. BANK OVERDRAFTS AND BORROWINGS

During the current interim period, the Group has drawn new bank borrowings amounting to HK$19,871,000 (six months ended 30 June 2019: HK$5,000,000) and repaid bank borrowings and bank overdrafts of HK$3,904,000 and HK$3,815,000, respectively (six months ended 30 June 2019: repaid banking borrowings and bank overdrafts of HK$2,813,000 and HK$14,906,000, respectively). As at 30 June 2020, the bank borrowings carry effective 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 (as at 31 December 2019: 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 May 2023 and repayable on demand, respectively.

17. SHARE CAPITAL

The issued share capital as at 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 31 December 2019 and 30 June 2020 represented the share capital of the Company.

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

	Notes	**Number of shares**	**Amount**
			HK$
Ordinary shares of HK$0.01 each			
Authorised:			
At 30 January 2019 (date of incorporation)	*(a)*	10,000,000	100,000
Increase in authorised share capital of HK$0.01 each	*(c)*	3,990,000,000	39,900,000
At 31 December 2019 and 30 June 2020		4,000,000,000	40,000,000
Issued and fully paid:			
At date of incorporation	*(a)*	1	—*
New shares issued for the Reorganisation on 28 February 2019	*(b)*	9,999	100
Capitalisation Issue	*(c)*	1,949,990,000	19,499,900
Issue of shares upon listing	*(d)*	650,000,000	6,500,000
At 31 December 2019 and 30 June 2020		2,600,000,000	26,000,000

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) On 22 July 2019, pursuant to the resolution 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 credited as fully paid by way of capitalisation of a sum of HK$19,499,900 to share premium of the Company ("**Capitalisation Issue**") to shareholders whose names appeared on the Company's register of members on 22 July 2019.

(d) On 16 August 2019, the shares of the Company were listed on the Stock Exchange. 650,000,000 ordinary shares at an offer price of HK$0.2 per share were issued upon listing.

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

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 2020:

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short-term lease expense for renting office premises from a controlling shareholder of the Company		
Mr. Adam Cheung	**157**	70
	157	70

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 2020 was as follows:

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short term benefits	**1,342**	1,701
Post-employment benefits	**41**	44
	1,383	1,745

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is an established subcontractor in Hong Kong and is principally engaged 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 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.

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.

As at 30 June 2020, the Group had a total of 13 ongoing projects (including projects that have commenced but not substantially completed as well as projects that have been awarded but not yet commenced) and the original contract sum of these projects is approximately HK$867.9 million in aggregate.

For the Review Period, the Group recorded a net profit of approximately HK$11.0 million as compared to a net profit of approximately HK$16.3 million for the same period in 2019. The Directors are of the view that the decrease in net profit was primarily due to an increase in overall construction costs. The delay in site progress due to the outbreak of Novel Coronavirus Disease 2019 (COVID-19) (the "**Outbreak**") has resulted in an increase in subcontracting costs owing to the prolonged need for maintaining the required site workforce.

Due to the Outbreak, the progress of certain construction projects of the Group was being delayed as (i) certain workers were unable to return to work in Hong Kong from the People's Republic of China (the "**PRC**") as part of the Government's 14-day quarantine countermeasures to contain the Outbreak first implemented in February 2020; and (ii) certain construction projects of the Group also experienced temporary insufficient supply of construction materials such as river sand and cement due to delay in the supply chain logistics from the PRC. The supply of construction materials was resumed towards the end of February 2020. The Directors expect that the Outbreak would result in delay in completion progress of works of certain construction projects in the remaining period of the current financial year. In the opinion of the Directors, owing to the inherent uncertainties associated with the Outbreak, it is not practicable to provide a quantitative estimate of the potential impact of this Outbreak on the Group's upcoming financial performance at this stage. The Group would continue to assess the risks and uncertainties arising from the Outbreak and take various measures to mitigate the potential adverse impact from such disruptions.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK$72.8 million or approximately 26.0% from approximately HK$280.2 million for the six months ended 30 June 2019 to approximately HK$207.4 million for the Review Period. The decrease in revenue was mainly driven by substantial completion of the projects on hand during the Review Period.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the Review Period amounted to approximately HK$17.9 million, representing a decrease of approximately 48.4% as compared with approximately HK$34.7 million for the six months ended 30 June 2019. The Group's gross profit margin for the Review Period was approximately 8.6%, as compared with approximately 12.4% for the six months ended 30 June 2019. The decrease in gross profit and gross profit margin were primarily attributable to an increase in overall construction costs. The delay in site progress due to the Outbreak has resulted in an increase in subcontracting costs owing to the prolonged need for maintaining the required site workforce.

Other Income

Other income of the Group for the Review Period amounted to approximately HK$238,000, representing an increase of 1,883.3% or HK$226,000 compared with approximately HK$12,000 for the six months ended 30 June 2019. The increase was primarily due to the government subsidy and rental income received during the Review Period.

Administrative Expenses

The administrative expenses of the Group for the Review Period amounted to approximately HK$4.5 million, representing an increase of approximately 60.1% compared with approximately HK$2.8 million for six months ended 30 June 2019. The increase was mainly attributable to (i) the increase in professional costs incurred after the Listing and (ii) the increase of administrative staff costs (including directors' emoluments) due to the increase of our independent non-executive Directors who joined us during the second half of 2019.

Finance Costs

Finance costs of the Group for the Review Period were approximately HK$161,000, representing an increase of approximately 5.9% compared with approximately HK$152,000 for the six months ended 30 June 2019. The increase was mainly attributable to an increase in the interests on bank borrowings, which was primarily driven by the Group's business growth and increasing working capital for sustaining its business operation.

Income Tax Expense

Income tax expense decreased by approximately 61.7% from approximately HK$5.2 million for the six months ended 30 June 2019 to approximately HK$2.0 million for the Review Period. The decrease was primarily due to the decrease of the Group's profit before tax as a result of all of the aforesaid factors and in particular the decrease in revenue and gross profit for the Review Period.

Net Profit

As a result of the foregoing, profit attributable to owners of the Company for the Review Period decreased by approximately HK$5.3 million or approximately 32.5% from approximately HK$16.3 million for the six months ended 30 June 2019 to HK$11.0 million for the Review Period.

Interim Dividend

The Board did not recommend a payment of an interim dividend for the Review Period (six months ended 30 June 2019: 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 share capital of the Company since then.

As at 30 June 2020, the Company's issued capital was HK$26,000,000 and the number of its issued Shares was 2,600,000,000 of HK$0.01 each.

As at 30 June 2020, the Group had total cash and bank balances of approximately HK$9.7 million (31 December 2019: approximately HK$24.7 million). The total borrowings of the Group, consisting of bank overdrafts and bank borrowings, as at 30 June 2020 were approximately HK$16.0 million (31 December 2019: approximately HK$3.8 million). The bank borrowings and bank overdrafts are repayable by instalment till May 2023 and repayable on demand, respectively. 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.

Gearing Ratio

Gearing ratio is calculated by dividing total borrowings (i.e. bank overdrafts and bank borrowings) by total equity as at the period-end date and expressed as a percentage. The gearing ratio of the Group as at 30 June 2020 was approximately 6.9% (31 December 2019: approximately 1.7%). The increase in gearing ratio is mainly due to the higher total indebtedness level from the new bank borrowings during the Review Period.

Pledge of Assets

As at 30 June 2020, the Group had approximately HK$6.4 million of net book value of its leasehold land and buildings pledged for banking facilities (31 December 2019: HK$6.5 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 2019: nil).

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

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

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 2020, 40 employees fell into the Group's payroll (31 December 2019: 42 employees). Total staff costs included directors' emoluments for the Review Period amounted to approximately HK$8.0 million (six months ended 30 June 2019: approximately HK$8.7 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 2020, the Group had no material capital commitments or contingent liabilities (31 December 2019: nil).

Use of Net Proceeds from the Listing

The amount of the proceeds, net of listing expenses (including underwriting fee) either recognised in the consolidated statement of profit or loss and other comprehensive income or deducted from the share premium, from the Listing ("**Net Proceeds**") was approximately HK$90.0 million.

Having considered the impact of COVID-19 on the Group's operations as disclosed above and the interests of the Group and the shareholders of the Company as a whole, the Board is of the view that the current priority should be to focus on securing the Group's sustainable operation and to ensure that the Group's financial needs amid the economic uncertainty caused by COVID-19 are met more efficiently and flexibly, and hence it is more appropriate to postpone the timeline of the full utilisation of the Net Proceeds in respect of strategies such as expanding our workforce and upgrading our infrastructure to a later stage. Save that the timing of the expected utilisation of the Net Proceeds in full has been adjusted, the Group has applied and intends to continue to apply the Net Proceeds in accordance with the proposed applications set out in the section headed "Future plans and use of proceeds" in the Prospectus.

An analysis of the utilisation of the Net Proceeds up to 30 June 2020 is set out below:

	Planned	Unutilised balance up to the date of the Company's Annual Report 2019 (i.e. 27 March 2020)	Actual use of Net Proceeds up to 30 June 2020	Unutilised balance up to 30 June 2020	Expected date of full utilisation of the unutilised Net Proceeds
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	
1 Payment for upfront costs	39,900	–	39,900	–	N/A
2 Expansion of workforce	18,700	18,640	144	18,556	On or before June 2022
3 Upgrading our office facilities and information technology system	9,900	7,947	1,953	7,947	On or before June 2021
4 Acquiring machinery and equipment	8,300	1,979	7,100	1,200	On or before June 2021
5 Payment of performance bonds	7,500	7,500	–	7,500	On or before December 2020
6 Renting a new warehouse	3,200	3,200	–	3,200	On or before June 2022
7 Acquiring safety equipment and tools	2,500	2,059	2,500	–	N/A
	90,000	41,325	51,597	38,403	

As at 30 June 2020, the unutilised proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong.

The Directors regularly evaluate the Group's business objectives and may change or modify plans against the changing market condition to ascertain the business growth of the Group. During the Review Period, the Directors considered that no modification of the use of proceeds described in the Prospectus was required.

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. During the Review Period and up to the date of this announcement, 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 A2.1, the Company has adopted and complied with the Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the Review Period.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as a code of conduct regarding the transactions of securities of the Company by the Directors and the relevant employees (who likely possess inside information of the Company). Having made specific enquiries of the Directors, all Directors have 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.

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 Review Period.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

After the Review Period, the Outbreak continued to generate adverse impact on the operations of the Group to a certain extent. The Directors are monitoring the situation and will continue to assess and react actively to the impact of the Outbreak on the Group's operations, financial position and financial performance accordingly.

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 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.

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

Hong Kong, 28 August 2020

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, Mr. Chong Kan Kin as non-executive Director, and Mr. Pak Shek Kuen, Mr. Lo Chi Hung and Mr. Ho Kwok Lung as independent non-executive Directors.