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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (“**Board**”) of directors (the “**Directors**”) of Hands Form Holdings Limited (the “**Company**”) is pleased to announce the consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>NOTES</i>	2020 HK\$'000	2019 HK\$'000
Revenue	3	304,965	558,137
Cost of services		(301,162)	(487,954)
Gross profit		3,803	70,183
Other income	4	13,455	359
(Allowance for)/reversal of impairment losses		(340)	127
Administrative expenses		(9,559)	(8,964)
Finance costs	5	(382)	(260)
Listing expenses		—	(17,586)
Profit before tax	6	6,977	43,859
Income tax credit/(expense)	7	392	(8,033)
Profit and total comprehensive income for the year		<u>7,369</u>	<u>35,826</u>
Earnings per share			
– Basic and diluted (HK cents)	9	<u>0.28</u>	<u>1.63</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		2020	2019
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		11,540	11,174
Deposit for acquisition of property, plant and equipment		–	2,745
Deferred tax assets		75	–
		<hr/>	<hr/>
		11,615	13,919
		<hr/>	<hr/>
Current assets			
Trade receivables	<i>10</i>	9,898	28,158
Other receivables, deposits and prepayments		41,788	65,044
Contract assets		179,152	130,126
Tax recoverable		120	–
Pledged bank deposit		5,000	–
Bank balances and cash		5,945	24,696
		<hr/>	<hr/>
		241,903	248,024
		<hr/>	<hr/>
Total assets		253,518	261,943
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	<i>11</i>	6,697	19,742
Contract liabilities		87	2,165
Income tax payable		–	14,514
Bank overdrafts	<i>12</i>	21	3,815
Bank borrowings	<i>12</i>	17,785	–
		<hr/>	<hr/>
		24,590	40,236
		<hr/>	<hr/>
Net current assets		217,313	207,788
		<hr/>	<hr/>
Total assets less current liabilities		228,928	221,707
		<hr/>	<hr/>

		2020	2019
	NOTE	HK\$'000	HK\$'000
Non-current liabilities			
Deferred tax liabilities		122	270
		<hr/>	<hr/>
Net assets		228,806	221,437
		<hr/>	<hr/>
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	13	26,000	26,000
Reserves		202,806	195,437
		<hr/>	<hr/>
Total equity		228,806	221,437
		<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Hands Form Holdings Limited (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 (“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.

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.

The Company and its subsidiaries (collectively referred as to the “Group”) resulting from the Reorganisation is regarded as a continuing entity. The 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 year ended 31 December 2019.

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

The consolidated financial statements have been prepared based on the accounting policies of the Group which conform with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the principles of common control combination have been applied for the preparation of the consolidated financial statements for the year ended 31 December 2019. The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

The Company is an investment holding company and the principal activities of the Company’s principal subsidiaries are provision of wet trades works services.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these 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:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
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 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 June 2020

⁵ Effective for annual periods beginning on or after 1 January 2021

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

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from 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”).

(i) Disaggregation of revenue from contracts with customers

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Type of service		
Construction Services	304,965	558,137
Type of customer		
Private sector projects	304,904	555,552
Public sector projects	61	2,585
	304,965	558,137

(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 and 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.

- (iii) Transaction price allocated to the remaining performance obligation for contracts with customers that remain outstanding as at reporting date and the expected timing of recognising revenue are set out as below:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Provision of wet trades works		
– Within one year	46,519	133,674
– More than one year but not more than two years	–	24,720
	<u>46,519</u>	<u>158,394</u>

(iv) **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, major customers and geographical information are presented in accordance with HKFRS 8 *Operating Segments*.

The accounting policies for segment information are the same as Group’s accounting policies.

(v) **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.

(vi) **Information about major customers**

Revenue from customers individually contributing over 10% of the total revenue of the Group during the year are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer I	122,749	N/A ¹
Customer II	68,458	331,949
Customer III	64,075	92,057
	<u> </u>	<u> </u>

¹ Revenue did not contribute over 10% of the total revenue of the Group for the corresponding reporting period.

4. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income	48	180
Sundry income	212	179
Rental income	128	—
Government subsidies (<i>Note</i>)	13,067	—
	<u> </u>	<u> </u>
	13,455	359
	<u> </u>	<u> </u>

Note: The Group recognised government subsidies in respect of the Employment Support Scheme and Employment Support Scheme for the Construction Sector under Anti-epidemic Fund of the Hong Kong SAR Government due to the COVID-19 pandemic.

5. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on		
– Bank overdrafts	40	71
– Bank borrowings	342	189
	<u> </u>	<u> </u>
	382	260
	<u> </u>	<u> </u>

6. PROFIT BEFORE TAX

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before tax has been arrived at after charging:		
Auditors' remuneration	830	2,610
Depreciation of property, plant and equipment		
– Recognised as cost of services	1,293	536
– Recognised as administrative expenses	569	259
	<hr/>	<hr/>
Total depreciation	1,862	795
	<hr/>	<hr/>
Directors' emoluments	2,188	2,110
Other staff costs		
– Salaries and other benefits	9,744	13,694
– Contributions to retirement benefit scheme	338	538
	<hr/>	<hr/>
	12,270	16,342
	<hr/>	<hr/>
Loss on disposals of property, plant and equipment	118	–
Cost of materials and toolings recognised as cost of services	2,016	16,971
Subcontracting fees recognised as cost of services	279,871	446,972
Rental expense on short-term leases in respect of warehouse, office premises and machines	1,332	2,195
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX (CREDIT)/EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Income tax (credit)/expense comprises:		
Hong Kong Profits Tax:		
– Current year	–	9,824
– Over-provision in prior years	(169)	(1,935)
	<hr/>	<hr/>
	(169)	7,889
Deferred tax:	(223)	144
	<hr/>	<hr/>
	(392)	8,033
	<hr/> <hr/>	<hr/> <hr/>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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 year ended 31 December 2020.

The two-tiered profits tax rates regime was applicable to the Group for the year ended 31 December 2019.

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

9. EARNINGS PER SHARE

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

	2020	2019
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company) (HK\$ '000)	<u>7,369</u>	<u>35,826</u>
	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousand)	<u>2,600,000</u>	<u>2,195,753</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2020 was derived from 2,600,000,000 ordinary shares in issue.

The weighted average number of ordinary shares for the purpose of basic earnings per share during the year ended 31 December 2019 are retrospectively adjusted based on the Reorganisation as described in Note 1 and taking into account the effect arising from capitalisation issue.

No diluted earnings per share is presented as there were no potential dilutive shares in issue for the years ended 31 December 2020 and 2019.

10. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables, net	9,898	28,158

As at 1 January 2019, trade receivables at net arising from contracts with customers amounted to approximately HK\$31,189,000.

The Group grants credit terms to customers for a period ranging from 17 – 60 days from the invoice date for trade receivables. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	8,898	20,524
31 days to 60 days	291	7,634
61 days to 90 days	–	–
Over 90 days	709	–
	9,898	28,158

11. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	4,174	16,065
Payroll and MPF payables	606	1,179
Accrued expenses	1,892	2,427
Others	25	71
	2,523	3,677
Total	6,697	19,742

The credit period on purchases from suppliers is 30 days or payable upon delivery.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	4,174	16,065

12. BANK OVERDRAFTS/BANK BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank overdrafts	21	3,815
Bank borrowings – secured	17,785	–
	17,806	3,815

13. SHARE CAPITAL

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

	<i>Notes</i>	Number of ordinary shares	Share capital HK\$
Ordinary shares of HK\$0.01 each			
<i>Authorised:</i>			
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 31 December 2020		4,000,000,000	40,000,000
<i>Issued and fully paid:</i>			
At 30 January 2019 (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 31 December 2020		2,600,000,000	26,000,000

All shares issued rank pari passu therewith.

* The amount is less than HK\$1.

Notes:

- (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 ordinary shares of par value HK\$0.01 each at the time of incorporation. One nil-paid ordinary share was issued to the initial subscriber and transferred to Wonderful Renown on the same date.

- (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 Limited (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 ordinary share held by Wonderful Renown, and (ii) the Company issued and allotted 9,999 ordinary 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 ordinary shares of par value HK\$0.01 each. 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 ("Share Offer") at an offer price of HK\$0.2 per share were issued upon listing.

All shares allotted and issued during the year ended 31 December 2019 rank pari passu in all respect with the existing issued shares.

14. SIGNIFICANT RELATED PARTY TRANSACTIONS

Apart from disclosure elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties during the years ended 31 December 2020 and 2019:

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Rental expenses paid to:			
Mr. Adam Cheung	(i)	70	189
Ma Do Success Limited	(i) & (ii)	220	—
		290	189

Notes:

- (i) The rental expenses were charged based on the terms agreed between the parties involved.
- (ii) A company directly owned as to approximately 40% and 30% by Mr. Adam Cheung and Ms. LC Cheung, respectively. In addition, Mr. Adam Cheung and Ms. LC Cheung are the directors of the company.

The directors of the Company are also key management personnel of the Group whose remunerations are disclosed in Note 6. Other than that, the remuneration of a close family member of a director of the Company and other members of key management personnel of the Group during the year was as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Short term benefits	1,180	1,871
Post-employment benefits	37	52
	<hr/> 1,217 <hr/>	<hr/> 1,923 <hr/>

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.

As at 31 December 2019, 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\$947.1 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\$317.1 million.

The Directors are aware that the ongoing outbreak of COVID-19 added substantial uncertainty to the Hong Kong economy and further contributes to a downward trend in the Hong Kong construction market. 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 projects which will enhance value to the shareholders of the Company.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK\$253.1 million or approximately 45.4% from approximately HK\$558.1 million for the year ended 31 December 2019 to approximately HK\$305.0 million for the year ended 31 December 2020 (the "Year"). The decrease in revenue was mainly due to substantial completion of the projects on hand during the year ending 31 December 2020 and competitive construction project pricing arising from intense market competition.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the Year amounted to approximately HK\$3.8 million, representing a decrease of approximately 94.6% as compared with approximately HK\$70.2 million for the year ended 31 December 2019. The Group's gross profit margin for the Year was approximately 1.25%, as compared with approximately 12.6% for the year ended 31 December 2019. The decrease in gross profit was primarily due to the decrease in revenue as discussed above and the decrease in our gross profit margin. The decrease in gross profit margin was mainly due to the need to employ additional subcontractors and resources to deal with unexpected changes to the on-site arrangements initiated by main contractors and increase in subcontracting costs owing to the prolonged need for maintaining the required site workforce resulted by sustained outbreak of the COVID-19.

Other Income

Other income of the Group for the Year amounted to approximately HK\$13.5 million, representing an increase of approximately 3,647.9% or HK\$13.1 million compared with approximately HK\$359,000 for the year ended 31 December 2019. The increase was primarily due to certain government subsidies for the Year.

Administrative Expenses

The administrative expenses of the Group for the Year amounted to approximately HK\$9.6 million, representing an increase of approximately 6.6% compared with approximately HK\$9.0 million for year ended 31 December 2019. The increase was mainly attributable to the increase in post-listing professional fee.

Finance Costs

Finance costs of the Group for the Year were approximately HK\$382,000, representing an increase of approximately 46.9% compared with approximately HK\$260,000 for the year ended 31 December 2019. The significant increase was mainly attributable to an increase in the interests on bank borrowings, which was primarily driven by the increasing working capital for sustaining its business operation.

Net Profit

Profit attributable to owners of the Company for the Year decreased by approximately HK\$28.4 million or approximately 79.4% from approximately HK\$35.8 million for the year ended 31 December 2019 to HK\$7.4 million for the Year. The decrease in the Group's net profit for the Year was mainly due to the negative effect of the decrease in revenue and decrease in gross profit margin as discussed above and partially offset by the recognition of the one-off government subsidy granted to the Group under the Employment Support Scheme for the Construction Sector (Casual Employees) launched by the Construction Industry Council in connection with the outbreak of COVID-19.

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 31 December 2020, the Company's issued capital was HK\$26,000,000 and the number of its issued ordinary shares was 2,600,000,000 of HK\$0.01 each.

As at 31 December 2020, the Group had total cash and bank balances of approximately HK\$5.9 million (31 December 2019: approximately HK\$24.7 million). The total borrowings of the Group, consisting of bank overdrafts and bank borrowings, as at 31 December 2020 were approximately HK\$17.8 million (31 December 2019: approximately HK\$3.8 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.

PLEDGE OF ASSETS

As at 31 December 2020, the Group had approximately HK\$6.3 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 Year (2019: nil).

GEARING RATIO

As at 31 December 2020, the gearing ratio (calculated as total bank borrowings (i.e. bank overdrafts and bank borrowings) divided by the total equity) was approximately 7.8% (31 December 2019: approximately 1.7%).

CAPITAL EXPENDITURE

During the Year, the Group invested approximately HK\$2.7 million on the acquisition of property, plant and equipment. Capital expenditure was principally funded by internal resources.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no material capital commitments or contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Year, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

SIGNIFICANT INVESTMENT HELD

During the Year, the Group did not hold any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

USE OF PROCEEDS

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. The Group intends 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 31 December 2020 is set out below:

	Planned	Actual use of Net Proceeds up to 31 December 2020 <i>HK\$'000</i>	Unutilised balance up to 31 December 2020 <i>HK\$'000</i>	Expected date of full utilisation of the unutilised Net Proceeds <i>HK\$'000</i>
1 Payment for upfront costs	39,900	39,900	–	N/A
2 Expansion of workforce	18,700	156	18,544	On or before June 2022
3 Upgrading our office facilities and information technology system	9,900	1,953	7,947	On or before June 2021
4 Acquiring machinery and equipment	8,300	7,100	1,200	On or before June 2021
5 Payment of performance bonds	7,500	–	7,500	On or before June 2022
6 Renting a new warehouse	3,200	–	3,200	On or before June 2022
7 Acquiring safety equipment and tools	2,500	2,500	–	N/A
	<u>90,000</u>	<u>51,609</u>	<u>38,391</u>	

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 Year, save that the full utilisation of the proceeds allocated for the payment of performance bonds is deferred to on or before June 2022 due to reduced project turnover rate under the COVID-19 outbreak, the Directors considered that no modification of the use of proceeds described in the Prospectus was required.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group employed a total of 21 employees (including executive Directors, non-executive Director and independent non-executive Directors), as compared to a total of 42 employees as at 31 December 2019. Total staff costs which include Directors' emoluments for the Year were approximately HK\$12.3 million (year ended 31 December 2019: approximately HK\$16.3 million). The salary and benefit level of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on the salary increase, discretionary bonuses and promotions based on the performance of each employee.

The emoluments of the Directors are decided by the Board after recommendation from the remuneration committee of the Company, having considered factors such as the Group's financial performance and the individual performance of the Directors, etc.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees.

During the Year, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

FINAL DIVIDEND

The Board has resolved not to recommend the declaration of final dividend to shareholders of the Company for the Year.

COMPLIANCE ADVISER’S INTERESTS

As notified by the Company’s compliance adviser, Grande Capital Limited (“**Grande**”), as at 31 December 2020, except for the compliance adviser agreement entered into between the Company and Grande dated 14 March 2019, neither Grande nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules. Since the Listing Date and up to the date of this announcement, the Company has complied with the code provisions under the CG Code, except for the deviation from code provision A.2.1 of the CG Code as explained below. The Company will continue to enhance its corporate governance practices appropriate to the operation and growth of the business of the Group.

According to code provision A.2.1 of the CG Code, the role of the chairman and the chief executive officer of the Company should be separate and should not be performed by the same individual. Since the Listing Date and up to the date of this announcement, the role of the chairman and the chief executive officer of the Company are both performed by Mr. Adam Cheung. In view of Mr. Adam Cheung’s role in the day-to-day management and operations of the Group, being one of the Controlling Shareholders of the Group and as one of the Directors if not the sole director of other members of the Group, as at the date of this announcement, the Board believes that it is more effective and efficient overall business planning and implementation of business decisions and strategies of the Group that it shall be in the best interests of the Group for Mr. Adam Cheung to take up the dual roles of chairman and chief executive officer of the Company. Therefore, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstance and that there are sufficient checks and balances in place by the operations of the Board, which comprises experienced and high calibre individuals and adequate independent element in the composition of the Board.

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 the Company is expected to comply with the CG Code. Any deviation from the CG Code should be carefully considered and disclosed in the interim and annual report. Save as disclosed above, the Company will continue to comply with the CG Code to protect the best interests of the shareholders.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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) (the “**Securities Dealing Code**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiries by the Company, that they fully complied with the Model Code and the Securities Dealing Code throughout the period from the Listing Date to the date of this announcement.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholders of the Company or any of their respective close associates (as defined in the Listing Rules) that compete or may compete, directly or indirectly, with the business of the Group and any other conflicts of interest which any such person has or may have with the Group and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules since the Listing Date and up to 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 the Shares as required under the Listing Rules since the Listing Date and up to the date of this announcement.

AUDIT COMMITTEE

The Company established the audit committee (the “**Audit Committee**”) on 22 July 2019 with written terms of reference in compliance with Rule 3.22 of the Listing Rules and paragraph C.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Pak Shek Kuen, Mr. Ho Kwok Lung and Mr. Lo Chi Hung, to review on matters regarding internal controls, risk management and financial reporting of the Group. The Audit Committee had reviewed the Group’s annual results for the financial year ended 31 December 2020 and confirmed that they were prepared in accordance with applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF THE COMPANY'S AUDITORS IN RESPECT OF THIS ANNOUNCEMENT

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited ("HLB"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.handsform.com) and the Stock Exchange (www.hkexnews.hk). The 2020 annual report of the Company will be despatched to shareholders of the Company and available on the above websites in due course.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period up to the date of this announcement.

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

Hong Kong, 24 March 2021

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.