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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 2021

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 2021 (the “**Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	117,456	304,965
Cost of services		(180,916)	(301,162)
Gross (loss)/profit		(63,460)	3,803
Other income	4	190	13,455
Fair value loss on financial assets at fair value through profit or loss		(521)	–
Allowance for impairment losses		(9,443)	(340)
Administrative expenses		(9,497)	(9,559)
Finance costs	5	(418)	(382)
(Loss)/profit before tax	6	(83,149)	6,977
Income tax (expense)/credit	7	(37)	392
(Loss)/profit and total comprehensive (expense)/income for the year		(83,186)	7,369
(Loss)/earnings per share			
– Basic and diluted (HK cents)	9	(3.20)	0.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		9,804	11,540
Financial assets at fair value through profit or loss		2,482	–
Deferred tax assets		–	75
		<hr/> 12,286	<hr/> 11,615
Current assets			
Trade receivables	<i>10</i>	8,806	9,898
Other receivables, deposits and prepayments		27,830	41,788
Contract assets		127,638	179,152
Tax recoverable		126	120
Pledged bank deposit		5,000	5,000
Bank balances and cash		9,563	5,945
		<hr/> 178,963	<hr/> 241,903
Total assets		<hr/> 191,249	<hr/> 253,518
Current liabilities			
Trade and other payables	<i>11</i>	29,012	6,697
Contract liabilities		231	87
Bank overdrafts	<i>12</i>	8,373	21
Bank borrowings	<i>12</i>	7,906	17,785
		<hr/> 45,522	<hr/> 24,590
Net current assets		<hr/> 133,441	<hr/> 217,313
Total assets less current liabilities		<hr/> 145,727	<hr/> 228,928

	<i>NOTE</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		107	122
		<hr/>	<hr/>
Net assets		145,620	228,806
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	<i>13</i>	26,000	26,000
Reserves		119,620	202,806
		<hr/>	<hr/>
Total equity		145,620	228,806
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

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. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 August 2019. Its immediate and ultimate holding company is Wonderful Renown Limited (“**Wonderful Renown**”), a private limited company incorporated in the British Virgin Islands (“**BVI**”). The controlling shareholders of the Company are Mr. Adam Cheung, Ms. LC Cheung and Wonderful Renown.

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

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

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

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 following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16

Covid-19-Related Rent Concessions

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current year has 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 ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
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 beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
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 April 2021

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

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective for annual periods beginning on or after a date to be determined

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Type of service		
Construction Services	117,156	304,965
Construction IT Services	300	–
	<u>117,456</u>	<u>304,965</u>

(b) Segment reporting

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

During the year ended 31 December 2021, the Group commenced the business in provision of construction information technology services, and it is considered as a new operating and reportable segment by the CODM.

During the year ended 31 December 2020, the CODM reviews the overall results and financial performance of the Group as a whole. Accordingly, only entity-wide disclosures on revenue, major customers and geographical information are presented in accordance with HKFRS 8 *Operating Segments* for the year ended 31 December 2020.

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

(i) Segment revenues and results

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

For the year ended 31 December 2021

	Construction Services HK\$'000	Construction IT Services HK\$'000	Consolidated HK\$'000
Segment revenue			
– External	117,156	300	117,456
	<hr/>	<hr/>	<hr/>
Segment results	(78,844)	1	(78,843)
	<hr/>	<hr/>	<hr/>
Interest income			1
Unallocated other income			169
Unallocated corporate expenses			(3,537)
Fair value loss on financial assets at FVTPL			(521)
Finance costs			(418)
			<hr/>
Loss before tax			(83,149)
			<hr/> <hr/>

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

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

(ii) Segment assets and liabilities

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

(iii) Other segment information

For the year ended 31 December 2021

	Construction Services <i>HK\$'000</i>	Construction IT Services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Depreciation of property, plant and equipment	1,167	-	569	1,736
(Reversal of)/allowance for impairment losses on trade receivables	(201)	3	-	(198)
Allowance for impairment losses on contract assets	9,641	-	-	9,641
	<u>9,641</u>	<u>-</u>	<u>-</u>	<u>9,641</u>

(iv) Geographical information

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

(v) *Information about major customers*

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer I ¹	60,673	N/A ²
Customer II ¹	27,414	N/A ²
Customer III ¹	12,747	122,749
Customer IV ¹	12,420	64,075
Customer V ¹	N/A²	68,458
	<u> </u>	<u> </u>

¹ Revenue from Construction Services.

² Revenue did not contribute over 10% of the total revenue of the Group for the corresponding reporting period.

4. OTHER INCOME

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	1	48
Sundry income	169	340
Government subsidies	20	13,067
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	190	13,455
	<u> </u>	<u> </u>

5. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on		
– Bank overdrafts	63	40
– Bank borrowings	355	342
	<u>418</u>	<u>382</u>

6. (LOSS)/PROFIT BEFORE TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss)/profit before tax has been arrived at after charging:		
Auditors' remuneration	820	830
Depreciation of property, plant and equipment		
– Recognised as cost of services	1,167	1,293
– Recognised as administrative expenses	569	569
Total depreciation	<u>1,736</u>	<u>1,862</u>
Directors' emoluments	2,002	2,188
Other staff costs		
– Salaries and other benefits	4,421	9,744
– Contributions to retirement benefit scheme	153	338
	<u>6,576</u>	<u>12,270</u>
Loss on disposals of property, plant and equipment	–	118
Cost of materials and toolings recognised as cost of services	509	2,016
Subcontracting fees recognised as cost of services	172,287	279,871
Rental expense on short-term leases in respect of warehouse, office premises and machines	254	1,332
	<u>172,846</u>	<u>283,407</u>

7. INCOME TAX EXPENSE/(CREDIT)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Income tax expense/(credit) comprises:		
Hong Kong Profits Tax:		
– Current year	–	–
– Over-provision in prior years	(23)	(169)
	<u>(23)</u>	<u>(169)</u>
Deferred tax:	60	(223)
	<u>37</u>	<u>(392)</u>

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 years ended 31 December 2021 and 2020.

8. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

9. (LOSS)/EARNINGS PER SHARE

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

	2021	2020
(Loss)/earnings		
(Loss)/earnings for the purpose of basic (loss)/earnings per share ((loss)/profit for the year attributable to owners of the Company) (HK\$'000)	<u><u>(83,186)</u></u>	<u><u>7,369</u></u>

	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share (in thousand)	<u><u>2,600,000</u></u>	<u><u>2,600,000</u></u>

No diluted (loss)/earnings per share is presented as there were no potential dilutive shares in issue during the years ended 31 December 2021 and 2020.

10. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables, net	<u><u>8,806</u></u>	<u><u>9,898</u></u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	3,699	8,898
31 days to 60 days	4,515	291
61 days to 90 days	–	–
Over 90 days	592	709
	<u><u>8,806</u></u>	<u><u>9,898</u></u>

11. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	26,921	4,174
Payroll and MPF payables	434	606
Accrued expenses	1,629	1,892
Others	28	25
	<u>2,091</u>	<u>2,523</u>
Total	<u><u>29,012</u></u>	<u><u>6,697</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	15,182	4,174
31 days to 60 days	5,224	-
61 days to 90 days	6,515	-
	<u>26,921</u>	<u>4,174</u>

12. BANK OVERDRAFTS/BANK BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank overdrafts	8,373	21
Bank borrowings – secured	7,906	17,785
	<u>16,279</u>	<u>17,806</u>

13. SHARE CAPITAL

	Number of ordinary shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1 January 2020, 31 December 2020 and 31 December 2021	4,000,000,000	40,000
<i>Issued and fully paid:</i>		
At 1 January 2020, 31 December 2020 and 31 December 2021	2,600,000,000	26,000

BUSINESS REVIEW AND OUTLOOK

The Group is an established subcontractor in Hong Kong and is principally engaged in i) provision of wet trades works and other wet trades related ancillary works and ii) provision of construction information technology services. Wet trades works include plastering on floors, walls and ceilings, tile laying on internal and external walls and floors, brick laying and marble works.

Provision of wet trades and its related ancillary works

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

As at 31 December 2021 and up to the date of this announcement, 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\$359.6 million and HK\$461.6 million respectively. 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\$142.3 million.

Provision of construction information technology services

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

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

The Directors are aware that the ongoing outbreak of COVID-19 has added substantial uncertainties and challenge to the Hong Kong economy and further contributed to a downward trend in the Hong Kong construction market. These had resulted in an overall delay in the work status of the Group's projects on hand and delayed the Group's cash flows from operation. Although the overall business environment has gradually improved during the Year, the Group's tendering result, were still not satisfying. The intense market competition may lead to smaller number of successful tenders and quotations and lower value of contracts awarded to the Group. The Group's gross profit margin is also under pressure from competitive project pricing on tenders and quotations, which in turn affects financial performance of the Group.

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

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK\$187.5 million or approximately 61.5% from approximately HK\$305.0 million for the year ended 31 December 2020 to approximately HK\$117.5 million for the Year. The decrease in revenue was mainly due to (i) substantial completion of the projects on hand during the Year and competitive construction project pricing arising from intense market competition; and (ii) delay of certification of the Group's certain work done by the relevant customers as the relevant customers required additional time for certification of the work done involved in several variation orders of the relevant project.

Gross (Loss) Profit and Gross (Loss) Profit Margin

The gross loss of the Group for the Year amounted to approximately HK\$63.5 million, representing a decrease of approximately 1,768.7% as compared with gross profit of approximately HK\$3.8 million for the year ended 31 December 2020. The Group's gross loss margin for the Year was approximately 54.0%, as compared with gross profit margin of approximately 1.3% for the year ended 31 December 2020. The decrease in gross profit margin was mainly due to (i) competitive project pricing arising from intense market competition; and (ii) additional subcontractors and resources to deal with unexpected changes to the on-site arrangements initiated by customer for (a) a project at Tseung Kwan O and (b) delays in certain projects as a result of the outbreak of COVID-19.

Other Income

Other income of the Group for the Year amounted to approximately HK\$190,000, representing a decrease of approximately 98.6% or HK\$13.3 million compared with approximately HK\$13.5 million for the year ended 31 December 2020. The decrease was primarily due to certain government subsidies in last year.

Administrative Expenses

The administrative expenses of the Group for the Year amounted to approximately HK\$9.5 million, representing a decrease of approximately 0.6% compared with approximately HK\$9.6 million for year ended 31 December 2020. The slightly decrease was mainly attributable to the decrease in professional fee.

Finance Costs

Finance costs of the Group for the Year were approximately HK\$418,000, representing an increase of approximately 9.4% compared with approximately HK\$382,000 for the year ended 31 December 2020. The 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 (Loss) Profit

Profit attributable to owners of the Company for the Year decreased by approximately HK\$90.6 million or approximately 1,228.9% from approximately HK\$7.4 million for the year ended 31 December 2020 to net loss of HK\$83.2 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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**”) on 16 August 2019 (the “**Listing Date**”) and there has been no change in capital structure of the Group since then.

As at 31 December 2021, 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 2021, the Group had total cash and bank balances of approximately HK\$9.6 million (31 December 2020: approximately HK\$5.9 million). The total borrowings of the Group, consisting of bank overdrafts and bank borrowings, as at 31 December 2021 were approximately HK\$16.3 million (31 December 2020: approximately HK\$17.8 million). All borrowings were denominated in Hong Kong dollars. Interests are charged at 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 2021, the Group had pledged (i) leasehold land and buildings of net book value of approximately HK\$6.2 million (31 December 2020: approximately HK\$6.3 million); (ii) approximately HK\$5.0 million bank deposit (31 December 2020: approximately HK\$5.0 million); and (iii) financial assets at fair value through profit or loss of approximately HK\$2.5 million (31 December 2020: Nil) in order to secure bank facilities granted to the Group.

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 (2020: nil).

GEARING RATIO

As at 31 December 2021, the gearing ratio (calculated as total bank borrowings (i.e. bank overdrafts and bank borrowings) divided by the total equity) was approximately 11.2% (31 December 2020: approximately 7.8%).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no material capital commitments or contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Year, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

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 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.

Pursuant to the announcement of the Company dated 26 August 2021 (the “**Change in Net Proceeds Announcement**”), the Company clarified that approximately HK\$70.8 million (instead of approximately HK\$39.9 million as originally disclosed) of the Net Proceeds was utilised for payment for upfront costs for projects of the Group. The change in the use of the Net Proceeds was decided on the basis of, among others, (i) the uncertainty as to the development of the Outbreak and the time for full recovery of the Hong Kong’s economy and the Hong Kong construction market; (ii) the need to solidify the Company’s financial position to enable itself to maintain its reputation in the wet trades works industry and market competitiveness and achieve long-term and sustainable development; (iii) the increase in upfront costs for awarded projects; and (iv) certain business strategies can be delayed to a later stage. For further details of the re-allocation and the reasons for such change in use of the Net Proceeds, please refer to the Change in Net Proceeds Announcement. Save as disclosed in the Change in Net Proceeds Announcement, 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 31 December 2021 (after the re-allocation) is set out below:

	Planned use of Net Proceeds as stated in the Prospectus <i>HK\$'000</i>	Planned use of Net Proceeds (after re-allocation) <i>HK\$'000</i>	Unutilised balance up to 31 December 2020 (after re-allocation) <i>HK\$'000</i>	Actual use of Net Proceeds up to 31 December 2021 <i>HK\$'000</i>	Unutilised balance up to 31 December 2021 <i>HK\$'000</i>	Expected date of full utilisation of the unutilised Net Proceeds
1 Payment for upfront costs	39,900	70,791	–	70,791	–	N/A
2 Expansion of workforce	18,700	156	–	156	–	N/A
3 Upgrading our office facilities and information technology system	9,900	1,953	–	1,953	–	N/A
4 Acquiring machinery and equipment	8,300	7,100	–	7,100	–	N/A
5 Payment of performance bonds	7,500	7,500	7,500	7,500	–	N/A
6 Renting a new warehouse	3,200	–	–	–	–	N/A
7 Acquiring safety equipment and tools	2,500	2,500	–	2,500	–	N/A
	<u>90,000</u>	<u>90,000</u>	<u>7,500</u>	<u>90,000</u>	<u>–</u>	

As at 31 December 2021, the Company has fully utilised the Net Proceeds as intended.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group employed a total of 15 employees (including executive Directors and independent non-executive Directors), as compared to a total of 21 employees as at 31 December 2020. Total staff costs which include Directors' emoluments for the Year were approximately HK\$6.6 million (year ended 31 December 2020: approximately HK\$12.3 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 (the "**Remuneration Committee**"), 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 for the Year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules. During the Year 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 (note) 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 (note) 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. During the Year 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.

Note: With effect from 1 January 2022, code provision A.2.1 has been re-designated as code provision C.2.1.

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 Year 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 during the Year 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 during the Year 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 D.3.3 (note) 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 2021 and confirmed that they were prepared in accordance with applicable accounting standards as well as Listing Rules and that adequate disclosures have been made.

Note: With effect from 1 January 2022, code provision C.3.3 has been re-designated as code provision D.3.3.

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 comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Company’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 Engagement 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.

PUBLICATIONS 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 annual report of the Company for the Year will be despatched to shareholders of the Company and available on the above websites in due course.

EVENTS AFTER THE REPORTING PERIOD

On 28 January 2022, Pak Fai and an independent third party entered into a sale and purchase agreement pursuant to which Pak Fai transferred its property located at Room 605, 6th Floor, Fashion Centre, 51-53 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong to that independent third party for a consideration of HK\$4,080,000. The transaction was completed on 15 March 2022.

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

Hong Kong, 28 March 2022

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