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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)

**CLARIFICATION ANNOUNCEMENT IN RELATION TO
CHANGE IN USE OF PROCEEDS**

Reference is made to the prospectus of Hands Form Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 6 August 2019 (the “**Prospectus**”) in relation to the proposed use of the net proceeds from the Share Offer (the “**Net Proceeds**”), the Company’s annual results announcement for the year ended 31 December 2020 dated 24 March 2021 (the “**2020 Annual Results Announcement**”) and the 2020 annual report of the Company dated 24 March 2021 (the “**2020 Annual Report**”) in relation to the utilisation of the Net Proceeds from the Listing Date up to 31 December 2020. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Prospectus, the 2020 Annual Results Announcement and the 2020 Annual Report.

USE OF PROCEEDS

The Net Proceeds were approximately HK\$90.0 million. As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Net Proceeds were originally intended to be applied by the Group for the following purposes:

- (i) approximately HK\$39.9 million, representing 44.3% of the Net Proceeds, was intended to be allocated to payment for upfront costs;
- (ii) approximately HK\$18.7 million, representing 20.8% of the Net Proceeds, was intended to be allocated to expansion of workforce;
- (iii) approximately HK\$9.9 million, representing 11.0% of the Net Proceeds, was intended to be allocated to upgrading the Group’s office facilities and information technology system;
- (iv) approximately HK\$8.3 million, representing 9.2% of the Net Proceeds, was intended to be allocated to acquiring machinery and equipment;

- (v) approximately HK\$7.5 million, representing 8.3% of the Net Proceeds, was intended to be allocated to payment of performance bonds;
- (vi) approximately HK\$3.2 million, representing 3.6% of the Net Proceeds, was intended to be allocated to renting a new warehouse; and
- (vii) approximately HK\$2.5 million, representing 2.8% of the Net Proceeds, was intended to be allocated to acquiring safety equipment and tools.

It was disclosed in the 2020 Annual Results Announcement and the 2020 Annual Report that, since the Listing Date and up to 31 December 2020, out of the Net Proceeds, the Group had utilised approximately HK\$51.6 million for (i) payment for upfront costs, (ii) expansion of workforce, (iii) upgrading the Group's office facilities and information technology system, (iv) acquiring machinery and equipment and (v) acquiring safety equipment and tools, which is in line with the purposes shown above, and as at 31 December 2020, approximately HK\$38.4 million (the **"Unutilised Net Proceeds"**) remained unutilised and would be fully utilised by the expected dates as disclosed therein.

CHANGE IN USE OF NET PROCEEDS

The Company would like to clarify that for reasons set out below and in the paragraph headed "Reasons for and Benefits of the Change in Use of Proceeds" of this announcement, approximately HK\$70.8 million (instead of approximately HK\$39.9 million as originally disclosed), representing approximately 78.7% of the Net Proceeds, was ultimately allocated to and utilised for payment for upfront costs for projects of the Group. Approximately HK\$30.9 million, representing approximately 34.3% of the Net Proceeds and which had been originally allocated for items (ii) - (iv) and (vi) above, was subsequently re-allocated to finance upfront costs (item (i) above) (the **"Re-allocation"**). The utilisation of the Net Proceeds up to 31 December 2020 (both before and after the Re-allocation) and the proposed use of Unutilised Net Proceeds should be amended as follows:

	Planned use of Net Proceeds as disclosed in the Prospectus <i>HK\$ million (approximately)</i>	Utilised Net Proceeds up to 31 December 2020 (before Re-allocation) <i>HK\$ million (approximately)</i>	Re-allocation of the Net Proceeds <i>HK\$ million (approximately)</i>	Utilised Net Proceeds up to 31 December 2020 (after Re-allocation) <i>HK\$ million (approximately)</i>	Unutilised Net Proceeds up to 31 December 2020 (after Re-allocation) <i>HK\$ million (approximately)</i>	Proposed application of the Unutilised Net Proceeds <i>HK\$ million (approximately)</i>	Expected date of full utilisation of the Unutilised Net Proceeds
(i) Payment for upfront costs	39.9	39.9	30.9	70.8	—	—	N/A
(ii) Expansion of workforce	18.7	0.2	(18.5)	0.2	—	—	N/A
(iii) Upgrading the Group's office facilities and information technology system	9.9	2.0	(7.9)	2.0	—	—	N/A
(iv) Acquiring machinery and equipment	8.3	7.1	(1.2)	7.1	—	—	N/A
(v) Payment of performance bonds	7.5	—	—	—	7.5	7.5	On or before December 2021
(vi) Renting a new warehouse	3.2	—	(3.2)	—	—	—	N/A
(vii) Acquiring safety equipment	2.5	2.5	—	2.5	—	—	N/A
Total	90.0	51.6	—	82.5	7.5	7.5	

Note: The amounts listed herein are subject to rounding adjustments.

The Company became aware that certain amount used for meeting the Group's short-term funding needs for its normal business operations (i.e. payment for upfront costs in projects) was from the Unutilised Net Proceeds instead of other sources which it believes is attributable to the fact that (i) it had adequate funding through its cash in bank accounts, undrawn bank facilities and cash generated from operations, and that (ii) the Net Proceeds were deposited in the Group's bank account and mixed with the Group's other funds arising from the normal course of business of the Group. Accordingly, approximately HK\$30.9 million of the then Unutilised Net Proceeds were in effect used to finance the Group's upfront costs for its projects and were utilised in the year ended 31 December 2020. Despite the above, the Directors believe that the change in the use of the Unutilised Net Proceeds is in the interests of the Group and the Shareholders as a whole for the reasons set out below.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

The sustaining outbreak of Novel Coronavirus Disease 2019 (the "COVID-19") has disrupted the construction industry in Hong Kong. In 2020, according to figures published by the Census and Statistics Department of Hong Kong, the gross value (in nominal terms) of construction works performed by main contractors in Hong Kong decreased year-on-year by 2.8% as compared to 2019. The gross value (in nominal terms) of construction works performed by main contractors in Hong Kong at private sector sites for the first quarter of 2021 also decreased year-on-year by 2.9% as compared to the same period in 2020. As the majority of the Group's revenue is derived from private projects, the Group has experienced direct impact caused by the disruption in the industry as a result of the COVID-19 pandemic. Further, delay in site progress has been observed in the industry while the market players including the Group are still required to bear operating costs such as subcontracting costs.

Although COVID-19 vaccination programme has been rolled out and local COVID-19 situation has become relatively and temporarily stable, the Company is of the view that it remains uncertain as to the development of the COVID-19 outbreak and the time for full recovery of the Hong Kong's economy and the Hong Kong construction market. In face of this unprecedented challenge, the Company must solidify its 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.

Having closely monitored the market situation and carefully assessed the current impact brought by the COVID-19 outbreak, the Company believed that it would be in the best interests of the Group and the Shareholders as a whole to optimise its financial resources through changing the use of the then Unutilised Net Proceeds in the aforementioned manner after taking into account the following factors:—

(a) Increase in upfront costs for awarded projects

Under the COVID-19 pandemic, the time required for the Group's customers to assess completion progress, process the Group's payment application and make progress payments to the Group and duration of projects has been prolonged, which has resulted in a longer period and a greater amount of net cash outflow.

In view of the above, the Company considered that priority should be given to sustaining the Group's financial position so that the Group could ensure smooth performance of its work for the projects on hand with sufficient working capital and that business expansion strategies might be delayed to a later stage. To that end, the Group required more working capital and upfront costs to provide solid support for the awarded projects in the pipeline.

Therefore, in addition to the HK\$39.9 million from the Net Proceeds originally allocated for a portion of the upfront costs, the Group re-allocated, and fully utilised by 31 December 2020, the amount of approximately HK\$30.9 million from the Unutilised Net Proceeds to finance the payable upfront costs.

(b) Certain business strategies can be delayed to a later stage

As mentioned above, the Directors considered that the primary objective of the Group at this stage is to ensure the sufficiency of its working capital and mitigate any disruption to its operations caused by the COVID-19 pandemic. Hence, the Company was of the view that it was not an opportune time to pursue certain other business strategies, including (i) expansion of workforce, (ii) leasing of an additional office, (iii) upgrading of the Group's information technology system, (iv) acquiring machinery and equipment, and (v) renting a new warehouse, which could be delayed to a later stage as these strategies had been intended for the expansion of the Group in the long run.

Based on the above analysis, the Company is of the view that the above change in use of the Unutilised Net Proceeds is appropriate, reasonable and beneficial and can better meet the current market conditions and business needs of the Group in a flexible manner. This would also strengthen the efficiency and effectiveness of the Group's capital application. The Directors consider that the long-term business development direction of the Group is still in line with the disclosure in the Prospectus and the above change in the use of the Unutilised Net Proceeds is in the interests of the Group and the Shareholders as a whole and will not have any material adverse effect on the existing business and operations of the Group.

The Directors will continuously evaluate the Group's business objectives and may change or modify plans of usage of the Unutilised Net Proceeds where it is necessary to cope with the changing market conditions and strive for business growth of the Group.

The Board confirms that, save as disclosed herein, there are no other changes to the use of Net Proceeds as at the date of this announcement, the above supplemental information does not affect the other information in the 2020 Annual Results Announcement and the 2020 Annual Report, and the contents of the 2020 Annual Results Announcement and the 2020 Annual Report remain unchanged.

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

Hong Kong, 26 August 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, and Mr. Pak Shek Kuen, Mr. Lo Chi Hung and Mr. Ho Kwok Lung as independent non-executive Directors.