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 2019

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 2019 as follows:

FINANCIAL HIGHLIGHTS

1. Revenue was approximately HK$558.1 million for the year ended 31 December 2019, representing an increase of approximately 29.3% as compared with the same for the year ended 31 December 2018.

2. Gross profit was approximately HK$70.2 million for the year ended 31 December 2019, whereas gross profit was approximately HK$52.9 million for the year ended 31 December 2018.

3. Profit attributable to owners of the Company was approximately HK$35.8 million for the year ended 31 December 2019, representing a decrease of approximately 11.1% as compared with HK$40.3 million for the year ended 31 December 2018.

4. Basic earnings per share amounted to approximately HK1.63 cents for the year ended 31 December 2019 (2018: basic earnings per share: HK2.07 cents).

5. The Board does not recommend the payment of final dividend for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

		2019	2018
	NOTES	***HK$'000***	*HK$'000*
Revenue	*3*	**558,137**	431,819
Costs of services		**(487,954)**	(378,953)
Gross profit		**70,183**	52,866
Other income	*4*	**359**	821
Increase in fair value of an investment property		**–**	730
Reversal of (allowance for) impairment losses		**127**	(326)
Administrative expenses		**(8,964)**	(3,588)
Finance costs	*5*	**(260)**	(82)
Listing expenses		**(17,586)**	(2,024)
Profit before tax	*6*	**43,859**	48,397
Income tax expense	*7*	**(8,033)**	(8,076)
Profit and total comprehensive income for the year		**35,826**	40,321
Earnings per share			
- Basic (HK cents)	*9*	**1.63**	2.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	**2019** **HK$'000**	2018 *HK$'000*
Non-current assets			
Property, plant and equipment		**11,174**	7,918
Deposit for acquisition of property, plant and equipment		**2,745**	–
		13,919	7,918
Current assets			
Trade receivables	*10*	**28,158**	31,189
Other receivables, deposits and prepayments		**65,044**	4,081
Amount due from a director		–	16,149
Contract assets		**130,126**	83,604
Bank balances and cash		**24,696**	18,123
		248,024	153,146
Current liabilities			
Trade and other payables	*11*	**19,742**	54,846
Contract liabilities		**2,165**	2,737
Income tax payable		**14,514**	6,570
Bank overdrafts		**3,815**	15,575
Bank borrowing		–	5,209
		40,236	84,937
Net current assets		**207,788**	68,209
Total assets less current liabilities		**221,707**	76,127
Non-current liability			
Deferred tax liabilities		**270**	126
Net assets		**221,437**	76,001
Capital and reserves			
Share capital		**26,000**	600
Reserves		**195,437**	75,401
		221,437	76,001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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.

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 to 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 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 and 2018.

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 which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA, and the principles of common control combination have been applied for the preparation of the consolidated financial statements. The functional currency of the Company is HK dollars ("**HK$**").

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

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

For the purpose of preparing and presenting the consolidated financial statements for the year ended 31 December 2019 and 2018, the Group has consistently applied HKFRSs that are effective for the financial year beginning on 1 January 2019 throughout both years, except that the Group adopted HKFRS 16 *Leases* since 1 January 2019 and Hong Kong Accounting Standard 17 *Leases* ("**HKAS 17**") for the year ended 31 December 2018.

HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17, and the related interpretations.

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

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

As a lessee

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 ***Leases*** *(Continued)*

As a lessee *(Continued)*

The Group applies the short-term lease recognition exemption to leases of warehouse and office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Total short-term lease expenses of warehouse, office premises and machines recognised in the profit for the year ended 31 December 2019 is HK$2,195,000.

	At 1 January 2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**96**
Less: Recognition exemption	
– leases with lease term ending within 12 months from the date of initial application	**(96)**
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	**–**

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs or Hong Kong Accounting Standards ("**HKASs**") that have been issued but not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of Business[2]
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 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

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

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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

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

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs and the Amendments to References to the Conceptual Framework in HKFRS Standards mentioned below, the directors of the Company consider that the application of the other new and amendments to HKFRSs and HKASs is unlikely to have a material impact on the Group's financial statements in foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

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

	2019	2018
	HK$'000	*HK$'000*
Type of services		
Construction Services	**558,137**	431,819
Type of customer		
Private sector projects	**555,552**	396,933
Public sector projects	**2,585**	34,886
	558,137	431,819

(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.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

(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:

	2019	2018
	HK$'000	*HK$'000*
Provision of wet trades works		
– Within one year	**133,674**	357,953
– More than one year but not more than two years	**24,720**	1,857
	158,394	359,810

(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.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

(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:

	2019	2018
	HK$'000	*HK$'000*
Customer I	**331,949**	181,738
Customer II	**92,057**	45,460
Customer III	**N/A***	108,959

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

4. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Interest income	**180**	–
Sundry income	**179**	16
Rental income	**–**	135
Government subsidy *(Note)*	**–**	670
	359	821

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

	2019	2018
	HK$'000	*HK$'000*
Interests on:		
Bank overdrafts	**71**	14
Bank borrowing	**189**	68
	260	82

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration	**2,610**	–
Depreciation of property, plant and equipment		
– Recognised as costs of services	**536**	208
– Recognised as administrative expenses	**259**	103
Total depreciation	**795**	311
Directors' remuneration	**2,110**	1,523
Other staff costs		
– Salaries and other benefits	**13,694**	7,023
– Contributions to Mandatory Provident Fund ("MPF")	**538**	260
Total staff costs	**16,342**	8,806
Cost of materials and toolings recognised as costs of services	**16,971**	12,820
Subcontracting fees recognised as costs of services	**446,972**	351,054
Gross rental income from an investment property recognised as other income	–	(135)
Less: Direct operating expenses incurred for an investment property that generated rental income	–	3
	–	(132)
Rental expense on short-term leases in respect of warehouse, office premises and machines	**2,195**	–
Operating lease rentals in respect of warehouse, office premises and machines	–	840

7. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Income tax expense comprises:		
Hong Kong Profits Tax		
– Current tax	**9,824**	8,062
– Over-provision in prior years	**(1,935)**	–
– Deferred tax	**144**	14
	8,033	8,076

Pursuant to the relevant tax ordinance of the Hong Kong Special Administrative Region, Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2019 and 2018.

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2019 and 2018, nor has any dividend been proposed since the end of the reporting 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:

	2019	2018
Earnings for the purpose of basic earnings per share (profit for the year) *(HK$'000)*	**35,826**	40,321
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousand)	**2,195,753**	1,950,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share during the years ended 31 December 2019 and 2018 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 2019 and 2018.

10. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables, net	**28,158**	31,189

As at 1 January 2018, the balance of trade receivable at net arising from contracts with customers amounted to HK$23,390,000.

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 presented based on the invoice date at the end of the reporting period:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**20,524**	20,853
31 days to 60 days	**7,634**	9,921
61 days to 90 days	**–**	415
	28,158	31,189

11. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**16,065**	52,445
Payroll and MPF payables	**1,179**	959
Accrued expenses	**2,427**	–
Accrued share issue costs	**–**	261
Accrued listing expenses	**–**	966
Purchase of machinery payables	**–**	196
Others	**71**	19
	3,677	2,401
Total	**19,742**	54,846

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

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

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**16,065**	52,415
31 days to 60 days	**–**	30
	16,065	52,445

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, making an important milestone of the Company's business.

As at 31 December 2019, the Group has a total of 16 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 are approximately HK$947.1 million.

The Directors are aware that the outbreak of novel coronavirus disease (COVID-19) together with the challenges posed by the social unrest in Hong Kong in the past months means a double blow to the Hong Kong economy and further contributes to a downward trend in the Hong Kong construction market. With many large-scale infrastructure projects approaching completion and lack of new projects in the industry, the Group underwent fierce competition and faced great pressure when bidding for new projects. 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 increased by approximately HK$126.3 million or approximately 29.3% from approximately HK$431.8 million for the year ended 31 December 2018 to approximately HK$558.1 million for the year ended 31 December 2019 (the "**Year**"). The increase in revenue was mainly driven by the revenue contributed by some of our existing sizable projects during the Year.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the Year amounted to approximately HK$70.2 million, representing an increase of approximately 32.8% as compared with approximately HK$52.9 million for the year ended 31 December 2018. The Group's gross profit margin for the Year was approximately 12.6%, as compared with approximately 12.2% for the year ended 31 December 2018. The increase in gross profit was primarily due to the increase in revenue as discussed above, while the Group's gross profit margin remained broadly stable.

Other Income

Other income of the Group for the Year amounted to approximately HK$359,000, representing a decrease of approximately 56.3% or HK$462,000 compared with approximately HK$821,000 for the year ended 31 December 2018. The decrease was primarily due to the absence of rental income and government subsidy for the Year.

Administrative Expenses

The administrative expenses of the Group for the Year amounted to approximately HK$9.0 million, representing an increase of approximately 149.8% compared with approximately HK$3.6 million for year ended 31 December 2018. The increase was mainly attributable to (i) the increase of administrative staff costs (including directors' emoluments) due to the increase of our administration, accounting and finance staff who joined us during 2019 and the general increment in salaries and bonus for the Directors and administrative, accounting and finance staff; and (ii) the increase in post-listing professional fee.

Finance Costs

Finance costs of the Group for the Year were approximately HK$260,000, representing an increase of approximately 217.1% compared with approximately HK$82,000 for the year ended 31 December 2018. The significant increase was mainly attributable to an increase in the interests on bank overdrafts and bank borrowing, which was primarily driven by the Group's business growth and increasing working capital for sustaining its business operation. Since the bank borrowing was drawn down in late 2018, more interest of bank borrowing attributed to finance costs for the year ended 31 December 2019.

Net Profit

Profit attributable to owners of the Company for the Year decreased by approximately HK$4.5 million or approximately 11.1% from approximately HK$40.3 million for the year ended 31 December 2018 to HK$35.8 million for the Year. The decrease in the Group's net profit for the Year was mainly due the non-recurring listing expenses of approximately HK$17.6 million incurred during the Year (for the year ended 31 December 2018: approximately HK$2.0 million).

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 2019, 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 2019, the Group had total cash and bank balances of approximately HK$24.7 million (31 December 2018: approximately HK$18.1 million). The total borrowings of the Group, consisting of bank overdrafts and bank borrowing, as at 31 December 2019 were approximately HK$3.8 million (31 December 2018: approximately HK$20.8 million). All borrowings were denominated in Hong Kong dollars. Interests are charged at fixed and floating rates. The Group did not carry out any interest rate hedging policy.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

PLEDGE OF ASSETS

As at 31 December 2019, the Group had approximately HK$6.5 million of net book value of its leasehold land and buildings pledged for banking facilities (31 December 2018: HK$6.6 million).

FOREIGN EXCHANGE RISK

The Group mainly operates in Hong Kong. Most of the operating transactions and revenue were settled in Hong Kong dollars and the Group's assets and liabilities are primarily denominated in Hong Kong dollars. With the insignificant portion of monetary transactions and assets denominated in foreign currencies, the Group did not engage in any derivatives agreement and did not commit to any financial instrument to hedge its foreign exchange exposure during the Year (2018: nil).

GEARING RATIO

As at 31 December 2019, the gearing ratio (calculated as total bank borrowing (i.e. bank overdrafts and bank borrowing) divided by the total equity) was approximately 1.7% (31 December 2018: approximately 27.3%).

CAPITAL EXPENDITURE

During the Year, the Group invested approximately HK$4.1 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 2019, 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 apart from the Reorganisation in relation to the Listing as disclosed in the Prospectus.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Since the Listing Date and up to the date of this announcement, 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, 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 the date of this announcement is set out below:

	Planned	**Actual use of Net Proceeds up to the date of this announcement**	**Unutilised balance up to the date of this announcement**
	HK$'000	*HK$'000*	*HK$'000*
1 Payment for upfront costs	39,900	39,900	–
2 Expansion of workforce	18,700	60	18,640
3 Upgrading our office facilities and information technology system	9,900	1,953	7,947
4 Acquiring machinery and equipment	8,300	6,321	1,979
5 Payment of performance bonds	7,500	–	7,500
6 Renting a new warehouse	3,200	–	3,200
5 Acquiring safety equipment and tools	2,500	441	2,059
	90,000	48,675	41,325

As at the date of this announcement, the unutilised proceeds are 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 Year, 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 2019, the Group employed a total of 42 employees (including executive Directors and independent non-executive Directors), as compared to a total of 35 employees as at 31 December 2018. Total staff costs which include Directors' emoluments for the Year were approximately HK$16.3 million (year ended 31 December 2018: approximately HK$8.8 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 2019, 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 corporate governance code as set out in Appendix 14 to the Listing Rules (the "**CG Code**"). 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.

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 2019 and confirmed that they were prepared in accordance with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF THE COMPANY'S AUDITOR IN RESPECT OF THE PRELIMINARY 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 ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Company's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Deloitte Touche Tohmatsu 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 Deloitte Touche Tohmatsu on the preliminary 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 2019 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

The outbreak of the COVID-19 and the subsequent quarantine measures imposed by the Hong Kong government has had no material impact on the Group's operation.

The directors of the Company are monitoring the situation and continue to assess and react actively to the impact of COVID-19 outbreak on the Group's operations, financial position and financial performance accordingly.

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

Hong Kong, 27 March 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, and Mr. Pak Shek Kuen, Mr. Lo Chi Hung and Mr. Ho Kwok Lung as independent non-executive Directors.