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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 2022

The board (the “**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 2022 (the “**Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>NOTES</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	122,517	117,456
Cost of services		(151,145)	(180,916)
Gross loss		(28,628)	(63,460)
Other income and other losses	4	(1,737)	190
Fair value gain/(loss) on financial assets at fair value through profit or loss		114	(521)
Allowance for impairment losses, net of reversal		(17,916)	(9,443)
Administrative expenses		(7,860)	(9,497)
Finance costs	5	(283)	(418)
Loss before tax	6	(56,310)	(83,149)
Income tax credit/(expense)	7	107	(37)
Loss and total comprehensive expense for the year		<u>(56,203)</u>	<u>(83,186)</u>
Loss per share			
– Basic and diluted (HK cents)	9	<u>(1.95)</u>	<u>(3.20)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>NOTES</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		9,364	9,804
Financial assets at fair value through profit or loss		2,596	2,482
		<hr/> 11,960	<hr/> 12,286
Current assets			
Trade receivables	<i>10</i>	6,472	8,806
Other receivables, deposits and prepayments		26,732	27,830
Contract assets		64,766	127,638
Tax recoverable		–	126
Pledged bank deposit		–	5,000
Bank balances		14,006	9,563
		<hr/> 111,976	<hr/> 178,963
Total assets		<hr/> 123,936	<hr/> 191,249
Current liabilities			
Trade and other payables	<i>11</i>	9,446	29,012
Contract liabilities		4	231
Bank overdrafts	<i>12</i>	–	8,373
Bank borrowings	<i>12</i>	9,700	7,906
		<hr/> 19,150	<hr/> 45,522
Net current assets		<hr/> 92,826	<hr/> 133,441
Total assets less current liabilities		<hr/> 104,786	<hr/> 145,727

	<i>NOTE</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		–	107
		<hr/>	<hr/>
Net assets		104,786	145,620
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	<i>13</i>	31,200	26,000
Reserves		73,586	119,620
		<hr/>	<hr/>
Total equity		104,786	145,620
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020
Accounting Guideline 5 (revised)	Merger Accounting for Common Control Combinations

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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
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	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2024

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

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Type of service		
Construction Services	121,720	117,156
Construction IT Services	797	300
	<u>122,517</u>	<u>117,456</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.

Specifically, the Group’s reportable segments under HKFRS 8, *Operating Segments*, are (i) Construction Services; and (ii) Construction IT services.

(i) *Segment revenue and results*

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

For the year ended 31 December 2022

	Construction Services <i>HK\$'000</i>	Construction IT Services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue			
– External	121,720	797	122,517
Segment results	(52,721)	760	(51,961)
Interest income			35
Unallocated other income and other losses			(1,772)
Unallocated corporate expenses			(2,443)
Fair value gain on financial assets at FVTPL			114
Finance costs			(283)
Loss before tax			(56,310)

For the year ended 31 December 2021

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

There are no inter-segment sales for both years. All of the segment revenue reported above are 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 and other losses, unallocated corporate expenses, fair value gain/(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 2022

	Construction Services <i>HK\$'000</i>	Construction IT Services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Additions to property, plant and equipment	7,751	–	–	7,751
Depreciation of property, plant and equipment	2,053	–	184	2,237
Loss on disposals of property, plant and equipment	–	–	1,881	1,881
Reversal of impairment losses on trade receivables	(65)	(3)	–	(68)
Allowance for impairment losses on contract assets	17,984	–	–	17,984
	<u>17,984</u>	<u>–</u>	<u>–</u>	<u>17,984</u>

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> </u>	<u> </u>	<u> </u>	<u> </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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer I ¹	60,047	60,673
Customer II ¹	44,074	27,414
Customer III ¹	14,365	N/A ²
Customer IV ¹	N/A ²	12,747
Customer V ¹	N/A ²	12,420
	<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 AND OTHER LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other income		
– Interest income	35	1
– Sundry income	109	169
– Government subsidy (<i>Note</i>)	–	20
	<u>144</u>	<u>190</u>
Other losses		
– Loss on disposals of property, plant and equipment	<u>(1,881)</u>	–
	<u>(1,881)</u>	–
	<u>(1,737)</u>	<u>190</u>

Note: The Group recognised government subsidy in respect of the Construction Industry Council's Construction Business Support Scheme due to the COVID-19 pandemic.

5. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on		
– Bank overdrafts	14	63
– Bank borrowings	269	355
	<u>283</u>	<u>418</u>

6. LOSS BEFORE TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss before tax has been arrived at after charging:		
Auditors' remuneration	820	820
Depreciation of property, plant and equipment		
– Recognised as cost of services	2,053	1,167
– Recognised as administrative expenses	184	569
Total depreciation	<u>2,237</u>	<u>1,736</u>
Employee benefits expense: <i>(Note)</i>		
Directors' emoluments	1,866	2,002
Other staff costs		
– Salaries and other benefits	3,293	4,421
– Contributions to retirement benefit scheme	135	153
Total employee benefits expense	<u>5,294</u>	<u>6,576</u>
Cost of materials and toolings recognised as cost of services	3,248	509
Subcontracting fees recognised as cost of services <i>(Note)</i>	143,852	172,287
Rental expense on short-term leases in respect of warehouse, office premises and machines	<u>248</u>	<u>254</u>

Note: For the year ended 31 December 2022, subsidies of approximately HK\$5,823,000 granted from the 2022 Employment Support Scheme under Anti-Epidemic Fund of the Hong Kong SAR Government has been received. The amounts of approximately HK\$5,463,000 and approximately HK\$360,000 were netted-off against “cost of services” and “administrative expenses” respectively.

7. INCOME TAX (CREDIT)/EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Income tax (credit)/expense comprises:		
Hong Kong Profits Tax:		
– Current year	–	–
– Over-provision in prior years	–	(23)
	<u>–</u>	<u>(23)</u>
Deferred tax	(107)	60
	<u>(107)</u>	<u>37</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 2022 and 2021.

8. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

9. LOSS PER SHARE

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

	2022	2021
Loss		
Loss for the purpose of basic loss per share (loss for the year attributable to owners of the Company) (HK\$'000)	<u>(56,203)</u>	<u>(83,186)</u>
	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share (in thousand)	<u>2,883,507</u>	<u>2,600,000</u>

The diluted loss per share is equal to the basic loss per share as there were no potential ordinary share in issue during the years ended 31 December 2022 and 2021.

10. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables, net	6,472	8,806

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	5,880	3,699
31 days to 60 days	–	4,515
61 days to 90 days	–	–
Over 90 days	592	592
	6,472	8,806

11. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	7,653	26,921
Payroll and MPF payables	453	434
Accrued expenses	1,340	1,629
Others	–	28
	1,793	2,091
Total	9,446	29,012

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	7,653	15,182
31 days to 60 days	–	5,224
61 days to 90 days	–	6,515
	<u>7,653</u>	<u>26,921</u>

12. BANK OVERDRAFTS/BANK BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank overdrafts	–	8,373
Bank borrowings – secured	9,700	7,906
	<u>9,700</u>	<u>16,279</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 2021, 31 December 2021 and 31 December 2022	4,000,000,000	40,000
<i>Issued and fully paid:</i>		
At 1 January 2021 and 31 December 2021	2,600,000,000	26,000
Shares issued under placing (<i>Note</i>)	520,000,000	5,200
At 31 December 2022	3,120,000,000	31,200

Note:

On 16 June 2022, the Company allotted and issued 520,000,000 ordinary shares by way of placing, at a placing price of HK\$0.03 per ordinary share for cash. The gross proceeds from the placing amounted to HK\$15,600,000, among which, HK\$5,200,000 were credited to the share capital of the Company and HK\$10,400,000 (before issuing expenses) were credited to share premium of the Company.

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 with 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 registrations under the predecessor scheme in April 2004 and our registrations have 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 2022 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\$280.2 million and HK\$289.3 million respectively. As at the date of this announcement, the Group was in the course of bidding for or submitted bids pending the tender results of six projects, with an estimated total contract sum of approximately HK\$319.2 million.

Provision of construction information technology services

Based on our Directors’ practical experience, any potential customers, such as wet trades service providers in the construction industry, who are not familiar with payment request and without connections to specialist contractors may eventually seek from 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 passive 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.

In Hong Kong, business communities welcome the easing of COVID-19-related restrictions, awaiting a more dynamic market, yet the economic benefits of the recent policy shift have not been shown yet. With local COVID-19-related restrictions in place throughout most of the year, the construction industry remained one of the most challenged. In addition, the Board is of the view that due to the relatively high level of competition in the Hong Kong construction industry the Group's profit margin for new projects will continue to be under pressure when tendering. Due to the aforesaid COVID-19 related restrictions, there was 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 and wet trades related trade divisions projects which will enhance value to the shareholders of the Company (the "**Shareholder**").

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$5.1 million or approximately 4.3% from approximately HK\$117.5 million for the year ended 31 December 2021 to approximately HK\$122.5 million for the Year. Such increase was primarily attributable to increase in revenue generated from a major project at Kwun Tong awarded during the Year, which achieved significant progress during the Year.

Gross Loss and Gross Loss Margin

The gross loss of the Group for the Year amounted to approximately HK\$28.6 million, representing a decrease of approximately 54.9% as compared with gross loss of approximately HK\$63.5 million for the year ended 31 December 2021. The Group's gross loss margin for the Year was approximately 23.4%, as compared with gross loss margin of approximately 54.0% for the year ended 31 December 2021. The gross loss was mainly due to (i) competitive project pricing arising from intense market competition; (ii) delay in certification of works performed of certain projects; and (iii) increase in direct costs from (a) additional subcontractors, resources and other costs related to deal with unexpected changes to the on-site arrangements initiated by customers; and (b) delays in certain projects (mainly for projects at Tseung Kwan O and Tai Wai). The improvement of gross loss margin was due to improving of costs control.

Other Income and Other Losses

Other income and other losses of the Group for the Year amounted to a net loss of approximately HK\$1.7 million, representing a decrease of approximately 1,014.2% or HK\$1.9 million as compared with other income and other losses of approximately HK\$190,000 for the year ended 31 December 2021. The decrease was primarily due to a one-off loss on disposals of property, plant and equipment for the Year.

Administrative Expenses

The administrative expenses of the Group for the Year amounted to approximately HK\$7.9 million, representing a decrease of approximately 17.2% as compared with approximately HK\$9.5 million for the year ended 31 December 2021. The slightly decrease was mainly attributable to decrease in depreciation for warehouse and administrative costs.

Finance Costs

Finance costs of the Group for the Year were approximately HK\$283,000, representing a decrease of approximately 32.3% as compared with approximately HK\$418,000 for the year ended 31 December 2021. The decrease was mainly due to the settlement of two bank borrowings during the year ended 31 December 2021.

Net Loss

Loss attributable to owners of the Company for the Year decreased by approximately HK\$27.0 million or approximately 32.4% from approximately HK\$83.2 million for the year ended 31 December 2021 to net loss of approximately HK\$56.2 million for the Year. The decrease in the Group's net loss for the Year was mainly due to the improvement of gross loss margin and offset by the increase in allowance for impairment losses during the Year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The shares of the Company (the “**Shares**”) were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 August 2019. On 16 June 2022, a placement of 520,000,000 new Shares was completed. The placing price was HK\$0.03 per Share.

As at 31 December 2022, the Company's issued capital was HK\$31,200,000 and the number of its issued ordinary shares was 3,120,000,000 of HK\$0.01 each.

As at 31 December 2022, the Group had total bank balances of approximately HK\$14.0 million (31 December 2021: approximately HK\$9.6 million). The total borrowings of the Group, consisting of bank overdrafts and bank borrowings, as at 31 December 2022 were approximately HK\$9.7 million (31 December 2021: approximately HK\$16.3 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.

RAISING OF FUNDS AND USE OF PROCEEDS

Reference is made to the Company's announcements dated 27 May 2022 and 16 June 2022 in relation to the placing of new shares under general mandate (the “**Placing**”). Taking into account the financial position of the Group at the time of Placing and potential business opportunities including tenders for new projects, the Board considered that the Placing represented a good opportunity for the Company to provide immediate funding to strengthen the Company's financial position and replenish the Company's cash reserves for business opportunities. On 27 May 2022, the Company entered into a placing agreement with a placing agent pursuant to which the Company has conditionally agreed to place up to 520,000,000 placing shares at a price of HK\$0.03 per placing share. The completion of the Placing took place on 16 June 2022. The

closing price per Share as quoted on the Stock Exchange on 27 May 2022 was HK\$0.037. The aggregate nominal value of the Placing Shares were HK\$5,200,000. Net proceeds from the Placing was approximately HK\$15.4 million (the “**Net Proceeds**”) which was intended to be applied as to (i) approximately HK\$10.8 million (representing 70%) for future business opportunities relating to the Group’s existing business, specifically tendering of new wet-trade projects; and (ii) approximately HK\$4.6 million (representing 30%) for working capital purposes. Up to the date of this announcement, all of the Net Proceeds was utilised.

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 2022, the Group had pledged (i) leasehold land and buildings of net book value of approximately HK\$1.2 million (31 December 2021: approximately HK\$6.2 million); and (ii) financial assets at fair value through profit or loss of approximately HK\$2.6 million (31 December 2021: HK\$2.5 million) in order to secure bank facilities granted to the Group. Bank deposit of HK\$5.0 million was pledged for banking facilities as at 31 December 2021. The pledged bank deposit was released during the Year.

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 (2021: Nil).

GEARING RATIO

As at 31 December 2022, the gearing ratio (calculated as total bank borrowings (i.e. bank overdrafts and bank borrowings) divided by the total equity) was approximately 9.3% (31 December 2021: approximately 11.2%).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2022, 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 LISTED SECURITIES OF THE COMPANY

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed 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 Group does not have any other plans for material investments or capital assets.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group employed a total of 16 employees (including executive Directors and independent non-executive Directors), as compared to a total of 15 employees as at 31 December 2021. Total staff costs which include Directors' emoluments for the Year were approximately HK\$5.3 million (year ended 31 December 2021: approximately HK\$6.6 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 for the Year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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 C.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 C.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. 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. Cheung Kwok Fai Adam (“**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 C.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 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 Code Provision D.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors, namely Ms. Ding Xin, Ms. Lo Yin Ping Patricia and Mr. Ho Kwok Lung, 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 2022 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 profit or loss and other comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Company’s auditor, 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 and available on the above websites in due course.

EVENTS AFTER THE REPORTING PERIOD

There have been no significant event occurred after 31 December 2022 and up to the date to this announcement which require disclosure.

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

Hong Kong, 27 March 2023

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 Ms. Ding Xin, Ms. Lo Yin Ping Patricia and Mr. Ho Kwok Lung as independent non-executive Directors.