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## **China Wacan Group Company Limited** **中國網成集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1920)**

### **ANNUAL RESULTS ANNOUNCEMENT** **FOR THE YEAR ENDED 31 DECEMBER 2024**

The board (“**Board**”) of directors (the “**Directors**”) of China Wacan Group Company Limited (formerly known as 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 2024 as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2024*

	<i>NOTES</i>	<b>2024</b> <b>HK\$’000</b>	2023 <i>HK\$’000</i>
Revenue	3	<b>109,950</b>	86,702
Cost of services		<u><b>(122,833)</b></u>	<u>(108,191)</u>
Gross loss		<b>(12,883)</b>	(21,489)
Other income	4	<b>96</b>	218
Other gains	5	<b>93</b>	3,420
Impairment losses under expected credit loss model, net of reversal	6	<b>(21,510)</b>	(24,329)
Administrative expenses		<b>(8,920)</b>	(9,102)
Finance costs	7	<u><b>(214)</b></u>	<u>(336)</u>
<b>Loss and total comprehensive expense for the year attributable to equity holders of the Company</b>	8	<u><b>(43,338)</b></u>	<u>(51,618)</u>
<b>Loss per share</b>	11		
–Basic ( <i>HK cents</i> )		<u><b>(13.89)</b></u>	<u>(16.54)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	<i>NOTES</i>	<b>2024</b> <b>HK\$'000</b>	2023 HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment		2,997	4,935
Financial assets at fair value through profit or loss		<u>2,795</u>	<u>2,702</u>
		<u>5,792</u>	<u>7,637</u>
<b>Current Assets</b>			
Trade receivables	12	21,776	5,512
Prepayments		–	16,897
Contract assets		4,153	23,111
Cash and cash equivalents		<u>10,539</u>	<u>18,600</u>
		<u>36,468</u>	<u>64,120</u>
<b>Total Assets</b>		<u>42,260</u>	<u>71,757</u>
<b>Current Liabilities</b>			
Trade and other payables	13	27,124	8,967
Bank borrowings		<u>5,306</u>	<u>9,622</u>
		<u>32,430</u>	<u>18,589</u>
<b>Net Current Assets</b>		<u>4,038</u>	<u>45,531</u>
<b>Net Assets</b>		<u>9,830</u>	<u>53,168</u>
<b>Capital and (deficits) reserves</b>			
Share capital	14	31,200	31,200
Reserves and accumulated losses		<u>(21,370)</u>	<u>21,968</u>
<b>Equity attributable to equity holders of the Company</b>		<u>9,830</u>	<u>53,168</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

## 1. GENERAL INFORMATION

China Wacan Group Company Limited (formerly known as Hands Form Holdings Limited) (the “**Company**”) is incorporated in the Cayman Islands as an exempted company and is 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 are 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. Cheung Kwok Fai Adam (“**Mr. Adam Cheung**”), Ms. Cheung Lai Chun (“**Ms. LC Cheung**”) and Wonderful Renown.

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

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 also 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 Group’s annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Noncurrent and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except as described below, 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.

***Impacts on application of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”) and Amendments to HKAS 1 Non-current Liabilities with Covenants (the “2022 Amendments”)***

The Group has applied the amendments for the first time in the current year.

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or noncurrent, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the classification should not be affected by management intentions or expectations to settle the liability within 12 months.
- clarify that the settlement of a liability can be a transfer of cash, goods or services, or the entity’s own equity instruments to the counterparty. If a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the 2022 Amendments specifically clarify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date, even if compliance with the covenant is assessed only after the reporting date. The 2022 Amendments also specify that covenants with which an entity must comply after the reporting date (i.e. future covenants) do not affect the classification of a liability as current or non-current at the reporting date. However, if the entity’s right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The application of the 2020 and 2022 Amendments has no material impact on the classification of the Group’s liabilities.

## **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:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>3</sup>
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 <sup>3</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>
HKFRS 18	Presentation and Disclosure in Financial Statements <sup>4</sup>
HKFRS 19	Subsidiaries without Public Accountability: Disclosures <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2026.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2027.

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

### ***HKFRS 18 Presentation and Disclosure in Financial Statements***

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

### 3. REVENUE AND SEGMENT INFORMATION

#### (a) Revenue

##### (i) *Disaggregation of revenue from contracts with customers*

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Type of service</b>		
Construction Services	109,584	86,336
Construction IT Services	<u>366</u>	<u>366</u>
	<u>109,950</u>	<u>86,702</u>
<b>Timing of revenue recognition</b>		
Over time	<u>109,950</u>	<u>86,702</u>
<b>Type of customer</b>		
Private sector		
– Construction Services	25,701	7,649
– Construction IT Services	366	366
Public sector		
– Construction Services	<u>83,883</u>	<u>78,687</u>
	<u>109,950</u>	<u>86,702</u>

##### (ii) *Performance obligations for contracts with customers and revenue recognition policies*

The Group derives its revenue from provision of wet trades works and other wet trades related ancillary works and provision of construction information technology services 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 17 months (2023: 1 month to 9 months).

*Revenue from provision of wet trades works*

The Group provides 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 under contracts with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the Group is contractually required to perform the services at the customers' specified sites that the Group's performance creates or enhances an asset that the customer controls as the Group performs. Revenue from provision of such services is therefore recognised over time using input method, i.e. based on the actual costs incurred by the Group to date compared with the total budgeted cost for the project to estimate the revenue recognised during the period. The directors of the Company consider that input method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations under HKFRS 15.

*Revenue from provision of construction information technology services*

Revenue from provision of construction information technology services are recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The Group bills a fixed amount for each month of service provided. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has right to invoice.

**(iii) Transaction price allocated to the remaining performance obligation for contracts with customers**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) and the expected timing of recognising revenue are as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Provision of wet trades works</b>		
– Within one year	147,587	64,810
– More than one year	<u>50,010</u>	<u>–</u>

The Group has applied the practical expedient under HKFRS 15 to its contracts for the provision of construction information technology services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for the provision of construction information technology services that had an original expected duration of one year or less.

**(b) Segment reporting**

Information is reported to the executive directors of the Company, being 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 2024**

	<b>Construction Services HK\$’000</b>	<b>Construction IT Services HK\$’000</b>	<b>Consolidated HK\$’000</b>
<b>Segment revenue</b>	<u>109,584</u>	<u>366</u>	<u>109,950</u>
<b>Segment (loss) profit</b>	<u>(40,099)</u>	<u>18</u>	<u>(40,081)</u>
Unallocated other income			96
Unallocated other gains			93
Unallocated corporate expenses			(3,232)
Finance costs			<u>(214)</u>
Loss for the year			<u><u>(43,338)</u></u>

**For the year ended 31 December 2023**

	<b>Construction Services HK\$’000</b>	<b>Construction IT Services HK\$’000</b>	<b>Consolidated HK\$’000</b>
Segment revenue	<u>86,336</u>	<u>366</u>	<u>86,702</u>
Segment loss	<u>(52,146)</u>	<u>(10)</u>	<u>(52,156)</u>
Unallocated other income			218
Unallocated other gains			3,420
Unallocated corporate expenses			(2,764)
Finance costs			<u>(336)</u>
Loss for the year			<u><u>(51,618)</u></u>



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 described in the consolidated financial statements. Segment results represents the profit (loss) from each segment without allocation of unallocated other income, unallocated other gains, unallocated corporate expenses 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 2024**

	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	1,938	-	-	1,938
Impairment losses on trade receivables recognised in profit or loss	1,052	-	-	1,052
Impairment losses on contract assets recognised in profit or loss	<u>20,458</u>	<u>-</u>	<u>-</u>	<u>20,458</u>

**For the year ended 31 December 2023**

	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	2,641	-	9	2,650
Gain on disposals of property, plant and equipment	-	-	(3,314)	(3,314)
Impairment losses on trade receivables recognised in profit or loss	312	-	-	312
Impairment losses on contract assets recognised in profit or loss	<u>24,017</u>	<u>-</u>	<u>-</u>	<u>24,017</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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer I <sup>1</sup>	26,481	N/A <sup>2</sup>
Customer II <sup>1</sup>	24,347	N/A <sup>2</sup>
Customer III <sup>1</sup>	19,990	N/A <sup>2</sup>
Customer IV <sup>1</sup>	14,914	N/A <sup>2</sup>
Customer V <sup>1</sup>	N/A <sup>2</sup>	70,089

<sup>1</sup> Revenue from Construction Services.

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

**4. OTHER INCOME**

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest income	16	112
Government grant ( <i>Note</i> )	80	–
Sundry income	–	106
	<u>96</u>	<u>218</u>

*Note:* During the current year, the Group recognised government grants of HK\$80,000 (2023: Nil) in respect of Small and Medium Enterprises Export Marketing Fund by the government of Hong Kong Special Administrative Region.

**5. OTHER GAINS**

	<b>2024</b>	2023
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Gain on fair value changes of financial assets at FVTPL	<b>93</b>	106
Gain on disposals of property, plant and equipment	<u>–</u>	<u>3,314</u>
	<b><u>93</u></b>	<b><u>3,420</u></b>

**6. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL**

	<b>2024</b>	2023
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Impairment losses recognised on:		
– Contract assets	<b>20,458</b>	24,017
– Trade receivables	<u><b>1,052</b></u>	<u>312</u>
	<b><u>21,510</u></b>	<b><u>24,329</u></b>

**7. FINANCE COSTS**

	<b>2024</b>	2023
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Interest on		
– Bank borrowings	<u><b>214</b></u>	<u>336</u>

## 8. LOSS FOR THE YEAR

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss for the year has been arrived at after charging:		
Auditor's remuneration	900	850
Depreciation of property, plant and equipment		
– Recognised as cost of services	1,938	2,641
– Recognised as administrative expenses	<u>–</u>	<u>9</u>
Total depreciation	<u>1,938</u>	<u>2,650</u>
Employee benefits expense:		
Directors' emoluments	1,934	1,885
Other staff costs		
– Salaries and other benefits	2,998	3,526
– Contributions to retirement benefit scheme	<u>109</u>	<u>173</u>
Total employee benefits expense	<u>5,041</u>	<u>5,584</u>
Cost of materials and toolings recognised as cost of services	2,639	1,468
Subcontracting fees recognised as cost of services	116,790	100,768
Rental expense on short-term leases in respect of warehouse, office premises and machines	<u>438</u>	<u>140</u>

## 9. INCOME TAX EXPENSE

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 2024 and 2023.

## 10. DIVIDEND

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the year ended 31 December 2024, nor has any dividend been proposed since the end of the reporting period (2023: Nil).

## 11. LOSS PER SHARE

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year for the purpose of calculation of basic loss per share	<u>(43,338)</u>	<u>(51,618)</u>
	2024 <i>'000</i>	2023 <i>'000</i>
<b>Number of shares</b>		
Number of ordinary shares for the purpose of calculation of basic loss per share	<u>312,000</u>	<u>312,000</u>

Number of ordinary share for the purpose of basic loss per share has been adjusted retrospectively for the consolidation of shares on 15 August 2023.

No diluted earnings per share for both 2024 and 2023 were presented as there were no potential ordinary shares in issue for both 2024 and 2023.

## 12. TRADE RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	23,140	5,824
Less: Allowance for credit losses	<u>(1,364)</u>	<u>(312)</u>
Trade receivables, net	<u>21,776</u>	<u>5,512</u>

As at 1 January 2023, trade receivables at net arising from contracts with customers amounted to approximately HK\$6,742,000.

The Group grants credit terms to customers for a period ranging from 30–60 days from the invoice/payment certificate date for trade receivables. The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice/payment certificate date at the end of the reporting period:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	4,111	5,512
31–60 days	9,339	–
61–90 days	<u>8,326</u>	<u>–</u>
	<u>21,776</u>	<u>5,512</u>

### 13. TRADE AND OTHER PAYABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	<u>25,406</u>	<u>7,164</u>
Payroll and MPF payables	416	418
Accrued expenses	<u>1,302</u>	<u>1,385</u>
	<u>1,718</u>	<u>1,803</u>
Total	<u><u>27,124</u></u>	<u><u>8,967</u></u>

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

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	6,562	7,164
31-60 days	9,962	-
61-90 days	<u>8,882</u>	<u>-</u>
	<u><u>25,406</u></u>	<u><u>7,164</u></u>

## 14. SHARE CAPITAL

	Number of ordinary shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each/HK\$0.1 each ( <i>Note (i)</i> )		
<i>Authorised:</i>		
At 1 January 2023	4,000,000,000	40,000
Share consolidation ( <i>Note (i)</i> )	<u>(3,600,000,000)</u>	<u>–</u>
<b>At 31 December 2023 and 31 December 2024</b>	<b><u>400,000,000</u></b>	<b><u>40,000</u></b>
<i>Issued and fully paid:</i>		
At 1 January 2023	3,120,000,000	31,200
Shares consolidation ( <i>Note (i)</i> )	<u>(2,808,000,000)</u>	<u>–</u>
<b>At 31 December 2023 and 31 December 2024</b>	<b><u>312,000,000</u></b>	<b><u>31,200</u></b>

### *Notes:*

- (i) Pursuant to the resolution passed at the special general meeting of the Company held on 11 August 2023, the consolidation of every ten (10) issued and unissued ordinary shares of par value of HK\$0.01 each in the then capital of the Company into one (1) consolidated ordinary share of par value of HK\$0.1 each in the capital of the Company became effective on 15 August 2023.

## **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 subsidiary, namely, Ma Yau Engineering Limited (“**Ma Yau**”). The principal operating subsidiary has been registered with the Registered Specialist Trade Contractors Scheme (formerly known as the Subcontractor Registration Scheme) of the Construction Industry Council. Ma Yau first completed such registrations under the predecessor scheme in April 2004 and the 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 2024 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\$274.6 million. As at the date of this announcement, the Group was in the course of bidding for or submitted bids pending the tender results of five projects, with an estimated total contract sum of approximately HK\$103.1 million.

With the number of new construction projects in Hong Kong was decreased during the year ended 31 December 2024 (the “**Year**”), Hong Kong construction market remains uncertain. The Group, as a wet trades contractors, is facing various challenges including intense market competition and increased in direct cost which caused to have a negative impact of the Group’s gross margin. Furthermore, the volatile market environment could lead to financial constraints, impeding the operational efficiency and growth of the wet trade works industry. Delays in real estate development projects caused by the market downturn could result in issues such as postponed payments for construction projects and prolonged construction works schedule. The continued economic slowdown and slower-than-expected economic recovery have led to an increase in credit risk in this industry, resulting construction companies would have to more cases of liquidation and closure.



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.

### **Provision of construction information technology services**

Based on the Group 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 the Group expertise and experience in providing passive wet trade payment request information technology solutions, the Group established an online platform to provide subscribers with information such as specifications of various wet trade services items in its database so as to assist customers to carry out monthly review on the contractor's payment requests.

### **Provision of beauty and health services**

As per the announcement published by the Group on 30 December 2024, the Group intends to commence a new beauty business in addition to its existing business. It is intended that the new business will be developed around comprehensive consumer services to meet consumers' needs for beauty products and services, including: cosmetics, beauty and skin care products, nutritional and healthy food, lifestyle beauty, medical beauty and health management and other fields, its main business model will be: the Group will in the future set up joint ventures and physical stores with local partners in first- and second-tier cities of China, and provide product sales, lifestyle beauty services, medical beauty consulting services, health management consulting services, comprehensive shopping services, as well as overall operation management and business guidance services to each of such joint venture companies and physical stores, management fees and consulting service fees will be charged by the Group based on the annual revenue of each of these joint ventures and physical stores.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue increased by approximately HK\$23.3 million or approximately 26.8% from approximately HK\$86.7 million for the year ended 31 December 2023 to approximately HK\$110.0 million for the year ended 31 December 2024 (the "Year"). Such increase was primarily attributable to the increase in number of successful tenders awarded under the provision of wet trades works and the net trades related ancillary works.

### **Gross Loss and Gross Loss Margin**

The gross loss of the Group for the Year amounted to approximately HK\$12.9 million, representing a decrease of approximately 40.0% as compared with gross loss of approximately HK\$21.5 million for the year ended 31 December 2023. The Group's gross loss margin for the Year was approximately 11.7%, as compared with gross loss margin of approximately 24.8% for the year ended 31 December 2023. 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 Tai Tam). The gross loss margin was in the same level in both years.

### **Other Gains**

Other gains of the Group for the Year amounted to a net gain of approximately HK\$0.1 million, representing a decrease of approximately 97.3% or HK\$3.3 million as compared with a net gain of approximately HK\$3.4 million for the year ended 31 December 2023. The gains was primarily due to one-off gain on disposal of property, plant and equipment for the year ended 31 December 2023.

### **Administrative Expenses**

The administrative expenses of the Group for the Year amounted to approximately HK\$8.9 million, representing a decrease of approximately 2.0% as compared with approximately HK\$9.1 million for the year ended 31 December 2023. It has remained at the same level, maintaining stable level in both years.

## **Finance Costs**

Finance costs of the Group for the Year were approximately HK\$214,000, representing a decrease of approximately 36.3% as compared with approximately HK\$336,000 for the year ended 31 December 2023. The decrease was mainly due to the repayment of borrowing during the Year.

## **Net Loss**

Loss attributable to owners of the Company for the Year decreased by approximately HK\$8.3 million or approximately 16.0% from approximately HK\$51.6 million for the year ended 31 December 2023 to net loss of approximately HK\$43.3 million for the Year. The decrease in the Group's net loss for the Year was mainly due to improvement of gross loss margin and 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.

As at 31 December 2024, the Company's issued capital was HK\$31,200,000 and the number of its issued ordinary shares was 312,000,000 of HK\$0.10 each.

As at 31 December 2024, the Group had total bank balances of approximately HK\$10.5 million (31 December 2023: approximately HK\$18.6 million). The total borrowings of the Group, consisting of bank overdrafts and bank borrowings, as at 31 December 2024 were approximately HK\$5.3 million (31 December 2023: approximately HK\$9.6 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 2024, the Group had pledged financial assets at fair value through profit or loss of approximately HK\$2.8 million (31 December 2023: financial assets at fair value through profit or loss of approximately HK\$2.7 million) 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 (2023: Nil).

## **GEARING RATIO**

As at 31 December 2024, the gearing ratio (calculated as total bank borrowings (i.e. bank overdrafts and bank borrowings) divided by the total equity) was approximately 54.0% (31 December 2023: approximately 18.1%).

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at 31 December 2024, 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**

The Group does not have any other plans for material investments or capital assets in the near term.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2024, the Group employed a total of 13 employees (including executive Directors and independent non-executive Directors), as compared to a total of 14 employees as at 31 December 2023. Total staff costs which include Directors' emoluments for the Year were approximately HK\$5.0 million (year ended 31 December 2023: approximately HK\$5.6 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 C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 period between 1 January 2024 to 29 October 2024, 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 during the period and as one of the Directors, the Board believes that it was more effective and efficient overall business planning and implementation of business decisions and strategies of the Group that it should 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.

Mr. Adam Cheung resigned as the chairman of the Board and the chairman of the nomination committee of the Company, with effect from 30 October 2024, but continued to serve as the chief executive officer and an executive Director of the Company. On 30 October 2024, Mr. Zhou Zhenlin was appointed as the chairman of the Board, the president of the Company and the chairman of the nomination committee of the Company. Since then, the roles of chairman of the Board and chief executive officer of the Company were separately performed by Mr. Zhou Zhenlin and Mr. Adam Cheung, respectively. The Company has since then complied with Code Provision C.2.1..

## 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 C3 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, Mr. Zhu Qi and Ms. Zhang Lingke, 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 Year 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 WILSON & PARTNERS CPA LIMITED**

The 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 Group’s auditor, Wilson & Partners CPA Limited (“**WPCPA**”), to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board on 18 March 2025. The work performed by WPCPA in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by WPCPA 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](http://www.handsform.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2024 annual report of the Company will be despatched to shareholders of the Company and available on the above websites in due course.

By order of the Board  
**China Wacan Group Company Limited**  
**Zhou Zhenlin**  
*Chairman and Executive Director*

Hong Kong, 18 March 2025

*As at the date of this announcement, the Board comprises Mr. Zhou Zhenlin, Mr. Cheung Kwok Fai Adam, Mr. Ng Sheung Chung and Mr. Ma Kan Sun as executive Directors and Ms. Ding Xin, Mr. Zhu Qi and Ms. Zhang Lingke as independent non-executive Directors.*