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**TIAN CHENG HOLDINGS LIMITED**  
**天成控股有限公司**

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

**(Stock Code: 2110)**

**ANNOUNCEMENT OF THE ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 MAY 2024**

**FINANCIAL HIGHLIGHTS**

- Revenue amounted to approximately HK\$223.3 million (FY2023: approximately HK\$198.0 million), representing an increase of approximately 12.8%.
- Revenue from marine construction works segment increased by 209.8% to approximately HK\$186.4 million (FY2023: approximately HK\$60.2 million).
- Revenue from civil engineering works segment decreased by 91.1% to approximately HK\$10.8 million (FY2023: approximately HK\$122.1 million).
- Revenue from vessel chartering services segment increased by 36.2% to approximately HK\$21.5 million (FY2023: approximately HK\$15.8 million).
- Revenue from health and wellness services segment increased by 100% to approximately HK\$4.6 million (FY2023: nil).
- Net loss for the year attributable to owners of the Company amounted to approximately HK\$44.1 million (FY2023: approximately HK\$87.1 million).
- Basic and diluted loss per share for the year amounted to approximately HK\$17.42 cents (FY2023: HK\$39.14 cents (restated)).

The board (the “**Board**”) of directors (the “**Director(s)**”) of Tian Cheng Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (hereinafter collectively refer to as the “**Group**”) for the year ended 31 May 2024 (the “**Year**”), together with the comparative figures for the corresponding year ended 31 May 2023.

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

For the year ended 31 May 2024

	<i>Notes</i>	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Revenue</b>	4(a)	<b>223,331</b>	198,025
Direct costs		<u>(255,195)</u>	<u>(260,362)</u>
<b>Gross loss</b>		<b>(31,864)</b>	(62,337)
Other income	5	<b>4,734</b>	2,464
General and administrative expenses		<b>(16,469)</b>	(14,451)
Impairment losses of property, plant and equipment		<b>(3,143)</b>	(11,043)
Impairment losses of right-of-use assets		<b>(417)</b>	(1,759)
Reversal of impairment losses/(impairment losses) under expected credit losses model		<u><b>1,545</b></u>	<u>(1,611)</u>
<b>Loss from operations</b>		<b>(45,614)</b>	(88,737)
Finance costs	6(a)	<u>(276)</u>	<u>(178)</u>
<b>Loss before taxation</b>	6	<b>(45,890)</b>	(88,915)
Income tax credit	7	<u><b>1,754</b></u>	<u>1,865</u>
<b>Loss for the year</b>		<u><b>(44,136)</b></u>	<u>(87,050)</u>
Other comprehensive (expense)/income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		<u>(20)</u>	<u>42</u>
<b>Total comprehensive expense for the year</b>		<u><b>(44,156)</b></u>	<u>(87,008)</u>

	<i>Note</i>	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss for the year attributable to:			
– Owners of the Company		<b>(44,136)</b>	(87,050)
– Non-controlling interest		–*	–
		<u><b>(44,136)</b></u>	<u>(87,050)</u>
 Total comprehensive expense for the year attributable to:			
– Owners of the Company		<b>(44,156)</b>	(87,008)
– Non-controlling interest		–*	–
		<u><b>(44,156)</b></u>	<u>(87,008)</u>
		<i>HK cents</i>	<i>HK cents</i> (restated)
<b>Loss per share</b>			
Basic and diluted	8	<u><b>(17.42)</b></u>	<u>(39.14)</u>

\* The balance represents an amount less than HK\$1,000.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 May 2024

	<i>Notes</i>	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i> (restated)
<b>Non-Current Assets</b>			
Property, plant and equipment		<b>40,978</b>	65,012
Contract deposits		–	300
Deferred tax assets		<b>621</b>	655
		<u><b>41,599</b></u>	<u>65,967</u>
<b>Current Assets</b>			
Contract assets		<b>15,260</b>	20,203
Trade and other receivables, deposits and prepayments	<i>10</i>	<b>34,784</b>	26,785
Cash and cash equivalents		<b>25,822</b>	33,687
		<u><b>75,866</b></u>	<u>80,675</u>
<b>Current Liabilities</b>			
Trade and other payables	<i>11</i>	<b>32,918</b>	27,193
Lease liabilities		<b>2,558</b>	2,545
Amount due to a director		<b>1,340</b>	–
		<u><b>36,816</b></u>	<u>29,738</u>
<b>Net current assets</b>		<u><b>39,050</b></u>	<u>50,937</u>
<b>Total Assets less Current Liabilities</b>		<u><b>80,649</b></u>	<u>116,904</u>
<b>Non-Current Liabilities</b>			
Lease liabilities		<b>2,393</b>	4,293
Deferred tax liabilities		<b>4,352</b>	6,140
		<u><b>6,745</b></u>	<u>10,433</u>
<b>Net Assets</b>		<u><b>73,904</b></u>	<u>106,471</u>
<b>Capital and Reserves</b>			
Share capital	<i>12</i>	<b>26,688</b>	22,240
Reserves		<b>47,216</b>	84,231
<b>Total Equity</b>		<u><b>73,904</b></u>	<u>106,471</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 May 2024

## 1. CORPORATE INFORMATION

The Company is a public limited company incorporated in the Cayman Islands on 24 May 2018 with limited liability under the Companies Act (as revised) of the Cayman Islands. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 7 December 2020. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report. The Group are principally engaged in marine construction works, other civil engineering works, vessel chartering services, and health and wellness service.

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**”)

In the current year, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning 1 June 2023:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### **Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies**

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The application of the amendments has had no material impact on the Group’s financial performance and positions, but has affected the disclosures of accounting policies as set out in the consolidated financial statements.

## **Impact on application of Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The Group previously applied HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis. Upon application of the amendments, the Group has recognised a separate deferred tax asset and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

There was no impact on the opening retained earnings as at 1 June 2022.

## **New and amendments to HKFRSs issued but not yet effective**

The Group has not applied the following new and revised HKFRSs that have been issued but are not effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>1</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>3</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 1 January 2024.

<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.

<sup>5</sup> Effective for annual periods beginning on or after a date to be determined.

The Directors anticipate that the application of the amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

### 3. BASIS OF PRESENTATION

#### **Going concern assumption**

The Group incurred a net loss of approximately HK\$44,136,000 and negative operating cash flow of approximately HK\$26,696,000 for the year ended 31 May 2024. Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of the going concern basis is dependent upon the success of the Group's future operations. These facts and circumstances indicate the existence of material uncertainties which may cast significant doubt on the Group's ability.

In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Directors are taking the following measures subsequent to the year ended 31 May 2024, including:

- Implementing various strategies to improve the cash flow status;
- Putting extra efforts on the collection of trade debtors to improve the debtors turnover days;
- Monitoring and controlling administrative costs and future capital expenditures; and
- Considering to conduct fund raising exercises, such as share placement, with a view to increasing the Group's capitalisation/equity.

After taking into account the above measures, the Directors consider that the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due and are satisfied that it is appropriate for the Group to prepare the consolidated financial statements on a going concern basis.

Should the going concern assumption be considered inappropriate, adjustments would have to be made in the consolidated financial statements to restate the values of the Group's assets to their recoverable amounts, to provide for any further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

#### 4. REVENUE AND SEGMENT REPORTING

##### (a) Revenue

The principal activities of the Group are the provision of marine construction works, other civil engineering works, vessel chartering services and health and wellness services.

##### (i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major service lines		
– Revenue from marine construction works	186,432	60,184
– Revenue from other civil engineering works	10,804	122,078
– Revenue from vessel chartering services	21,470	15,763
– Revenue from health and wellness services	4,625	–
	<u>223,331</u>	<u>198,025</u>

##### (b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

Marine construction works: this segment involve reclamation works, submarine pipeline works, sediment treatment works as well as regulation and deposition of sand blanket works as a subcontractor to the Group's customers. Currently the Group's activities in this regard are carried out in Hong Kong.

Other civil engineering works: this segment include foundation works, site formation works and roads and drainage works. Currently the Group's activities in this regard are carried out in Hong Kong.



Vessel chartering services: this segment provides vessel chartering services in Hong Kong, including hiring of vessels and crews for a specific period of time.

Health and wellness services: this segment includes providing consulting services to customers, arranging healthcare consultation from specialist, and organising health and wellness seminars and sales of related products in the PRC.

**(i) Segment results**

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred during the reporting periods. The Group's other income and expense items, such as general and administrative expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 May 2024 and 2023 is set out below:

**Year ended 31 May 2024**

	Marine construction works <i>HK\$'000</i>	Other civil engineering works <i>HK\$'000</i>	Vessel chartering services <i>HK\$'000</i>	Health and wellness services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Disaggregated by timing of revenue recognition and revenue from external customers</b>					
Over time	<u>186,432</u>	<u>10,804</u>	<u>21,470</u>	<u>4,625</u>	<u>223,331</u>
<b>Reportable segment gross (loss)/ profit</b>	<u>(32,841)</u>	<u>(9,295)</u>	<u>8,474</u>	<u>1,798</u>	<u>(31,864)</u>
<b>Depreciation for the year*</b>	<u>10,231</u>	<u>379</u>	<u>1,499</u>	<u>-</u>	<u>12,109</u>

Year ended 31 May 2023

	Marine construction works <i>HK\$'000</i>	Other civil engineering works <i>HK\$'000</i>	Vessel chartering services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Disaggregated by timing of revenue recognition and revenue from external customers</b>				
Over time	<u>60,184</u>	<u>122,078</u>	<u>15,763</u>	<u>198,025</u>
<b>Reportable segment gross (loss)/profit</b>	<u>(42,298)</u>	<u>(22,520)</u>	<u>2,481</u>	<u>(62,337)</u>
<b>Depreciation for the year*</b>	<u>9,377</u>	<u>1,948</u>	<u>2,376</u>	<u>13,701</u>

\* Included in “Direct costs” in the consolidated statement of profit or loss and other comprehensive income.

(ii) *Reconciliation of reportable segment profit or loss*

	<b>Year ended 31 May</b>	
	<b>2024</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loss</b>		
Total reportable segment gross loss	<b>(31,864)</b>	(62,337)
Other income	<b>4,734</b>	2,464
General and administrative expenses	<b>(16,469)</b>	(14,451)
Impairment losses of property, plant and equipment	<b>(3,143)</b>	(11,043)
Impairment losses of right-of-use assets	<b>(417)</b>	(1,759)
Reversal of impairment losses/(impairment losses) under expected credit losses model	<b>1,545</b>	(1,611)
Finance costs	<b>(276)</b>	(178)
Consolidated loss before taxation	<u><b>(45,890)</b></u>	<u>(88,915)</u>

(iii) *Geographical information*

The Group's operations are mainly located in Hong Kong and the PRC.

Information about the Group's revenue from external customers is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the location of the operations of relevant group entities. The following table sets out information about the geographical location of revenue from external customers and non-current assets:

	Revenue from external customers		Non-current assets*	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
The PRC	4,625	–	749	372
Hong Kong	<u>218,706</u>	<u>198,025</u>	<u>40,229</u>	<u>64,640</u>
	<u>223,331</u>	<u>198,025</u>	<u>40,978</u>	<u>65,012</u>

\* Non-current assets exclude financial instruments and deferred tax assets.

5. OTHER INCOME

	Year ended 31 May	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Bank interest income	315	994
Government grants (see note below)	18	784
Gain on early termination of leases	18	36
Income from sales of raw materials	599	–
Gain on disposal on property, plant and equipment	3,150	–
Compensation from insurer	265	–
Exchange gain	140	–
Sundry income	229	2
Income from providing online technical services	<u>–</u>	<u>648</u>
	<u>4,734</u>	<u>2,464</u>

*Note:* Government grants represent the government grants of HK\$Nil (2023: HK\$784,000) by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. There are no unfulfilled conditions and other contingencies attached to the receipts of those grants.

## 6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

### (a) Finance costs

	Year ended 31 May	
	2024	2023
	HK\$'000	HK\$'000
Interest on lease liabilities	<u>276</u>	<u>178</u>

### (b) Staff costs

	Year ended 31 May	
	2024	2023
	HK\$'000	HK\$'000
Salaries, wages and other benefits	51,812	35,316
Contributions to retirement benefits scheme	<u>1,614</u>	<u>1,109</u>
	<u>53,426</u>	<u>36,425</u>

Staff costs of approximately HK\$45,398,000 (2023: approximately HK\$29,051,000) and approximately HK\$8,028,000 (2023: approximately HK\$7,374,000) are included in “Direct costs” and “General and administrative expenses” in the consolidated statement of profit or loss and other comprehensive income, respectively.

### (c) Other items

	Year ended 31 May	
	2024	2023
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment		
– owned property, plant and equipment	11,703	13,636
– right-of-use assets	<u>2,554</u>	<u>1,972</u>
	<u>14,257*</u>	<u>15,608*</u>
(Gain)/loss on disposal of plant and equipment	(3,150)	177
Auditor’s remuneration		
– audit services	750	730
Expense relating to short-term leases	<u>25,068</u>	<u>6,365</u>

\* Depreciation of approximately HK\$12,109,000 (2023: approximately HK\$13,701,000) and approximately HK\$2,148,000 (2023: approximately HK\$1,907,000) are included in “Direct costs” and “General and administrative expenses” in the consolidated statement of profit or loss and other comprehensive income, respectively.

## 7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 May	
	2024 HK\$'000	2023 HK\$'000
<b>Current tax</b>		
Hong Kong Profits Tax	-	-
PRC Profits Tax	-	-
	-	-
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(1,754)	(1,865)
	<u>(1,754)</u>	<u>(1,865)</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group does not have any assessable profit in these jurisdictions during both years, and therefore has no income tax charge incurred in these countries.

For the years ended 31 May 2024 and 2023, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rate regime, the first HK\$2 million of profits of a qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements for both years as the subsidiaries in Hong Kong have no taxable profits.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. No provision for PRC EIT has been made in the consolidated financial statements for both years as the subsidiaries in the PRC have no taxable profits.

## 8. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share for the year ended 31 May 2024 is based on the loss attributable to the owners of the Company of approximately HK\$44,136,000 (2023 loss attributable: approximately HK\$87,050,000) and the weighted average of approximately 253,390,000 (2023: 222,400,000) shares in issue during the year, calculated as follows:

	Year ended 31 May	
	2024 HK\$'000	2023 HK\$'000
Loss		
Loss attributable to owners of the Company, used in basic and diluted loss per share calculation	(44,136)	(87,050)

For the year ended 31 May 2024, the weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the placing of new shares on 20 September 2023 and the share consolidation on 2 November 2023.

Comparative figures of the weighted average number of shares for calculating basic loss per share has been adjusted on the assumption that the share consolidation had been effective in prior year.

**(b) Diluted loss per share**

There were no dilutive potential shares outstanding during the years ended 31 May 2024 and 2023. Hence, the diluted loss per share is the same as basic loss per share.

**9. DIVIDENDS**

No dividend was paid or proposed for the years ended 31 May 2024 and 2023, nor has any dividend been proposed since the end of the reporting period.

**10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	<b>Year ended 31 May</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade receivables	<b>24,460</b>	4,164
Other receivables	<b>3,045</b>	4,118
Contract deposits	<b>300</b>	10,410
Deposits and prepayments	<b>7,041</b>	9,233
	<b>34,846</b>	27,925
Less: Allowances for credit losses		
– Trade receivables	<b>(45)</b>	(744)
– Other receivables and deposits	<b>(17)</b>	(96)
	<b>(62)</b>	(840)
	<b>34,784</b>	27,085
Less: Contract deposits classified as non-current assets	<b>–</b>	(300)
	<b>34,784</b>	26,785

## Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the date of progress certificate or the date of billing and net of loss allowance, is as follows:

	As at 31 May	
	2024	2023
	HK\$'000	HK\$'000
Within 1 month	9,525	1,316
1 to 2 months	8,583	1,290
2 to 3 months	4,832	509
3 to 6 months	1,475	305
	<u>24,415</u>	<u>3,420</u>

Trade receivables are generally due within 30 to 60 days (2023: 30 to 60 days) from the date of progress certificate or the date of billing.

As at 31 May 2024, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$5,310,000 (2023: approximately HK\$1,577,000) which are past due as at the reporting date.

## 11. TRADE AND OTHER PAYABLES

	Year ended 31 May	
	2024	2023
	HK\$'000	HK\$'000
Trade payables	25,106	7,824
Contract liabilities	–	3,985
Retention payables	3,170	9,636
Accrued charges and other payables	4,642	5,748
	<u>32,918</u>	<u>27,193</u>

As of the end of the reporting period, the aging analysis of trade payables, based on invoice date, is as follows:

	Year ended 31 May	
	2024	2023
	HK\$'000	HK\$'000
Within 1 month	16,520	6,070
1 to 2 months	8,023	1,711
2 to 3 months	446	–
3 to 6 months	117	43
	<u>25,106</u>	<u>7,824</u>

The average credit period is 90 days.

## 12. SHARE CAPITAL

	Nominal value <i>HK\$</i>	Number of shares	<i>HK\$'000</i>
<b>Authorised:</b>			
At 1 June 2022, 31 May 2023 and 1 June 2023	0.01	3,000,000,000	30,000
Share consolidation (note (ii))	N/A	<u>(2,700,000,000)</u>	<u>—</u>
At 31 May 2024	0.1	<u>300,000,000</u>	<u>30,000</u>
<b>Issued and fully paid:</b>			
At 1 June 2022, 31 May 2023 and 1 June 2023	0.01	2,224,000,000	22,240
Placing of new shares (note (i))	0.01	444,800,000	4,448
Share consolidation (note (ii))	N/A	<u>(2,401,920,000)</u>	<u>—</u>
At 31 May 2024	0.1	<u>266,880,000</u>	<u>26,688</u>

- (i) Issue and allotment of 444,800,000 ordinary shares on 20 September 2023 under general mandate as disclosed in the announcements of the Company dated 5 September 2023 and 20 September 2023.
- (ii) Share consolidation of every ten (10) existing shares of HK\$0.01 each into one (1) consolidated share of HK\$0.1 each, effective date 2 November 2023. Details of which are set out in the circular of the Company dated 13 October 2023 and the announcement dated 2 November 2023.



## **EXTRACT OF INDEPENDENT AUDITOR’S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENT**

The following is an extract of the independent auditor’s report on the Company’s consolidated financial statements for the year ended 31 May 2024:

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 May 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Material Uncertainty Relating to Going Concern**

We draw attention to Note 3 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group incurred a net loss of approximately HK\$44,136,000 and negative operating cash flow of approximately HK\$26,696,000 for the year ended 31 May 2024. These conditions, along with other matters as set forth in Note 3 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. The directors of the Company having considered the measures being taken by the Group, are of the opinion that the Group would be able to continue as a going concern. Our opinion is not modified in respect of this matter.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND FINANCIAL REVIEW

The Group is a Hong Kong-based marine construction works subcontractor specializing in reclamation works and supplemented by vessel chartering services and other civil engineering works. Since October 2019, the Group has also been admitted as an approved contractor under Group B (Probation) of the port works category in the List of Approved Contractors for Public Works. Furthermore, as of the current year, the Group has maintained its position as the main contractor for two marine construction projects, which were awarded with a combined contract sum of approximately HK\$261.4 million in the previous year. The Group remains dedicated to these projects, focusing on their successful completion and delivery.

#### Marine construction works

During the Year, the Group's revenue from marine construction works was approximately HK\$186.4 million, representing an increase of approximately 209.8% compared to that for the year ended 31 May 2023 (HK\$60.2 million). The notable increase in revenue can primarily be attributed to two factors. Firstly, there was a substantial increase in revenue from one marine construction project, where the Group supplied sand fill materials for the north runway reconstruction project. This particular project alone contributed approximately HK\$65.5 million to the Group's revenue during the Year. Secondly, the two reconstruction of piers projects, which began construction in the third quarter of 2022, have progressed significantly beyond their initial construction stages. As a result, they have contributed HK\$112.7 million to the Group's revenue during the Year, compared to approximately HK\$46.6 million in the corresponding prior year. The progress made in these projects has led to a substantial increase in revenue for the Group. During the Year, two marine construction projects were awarded to the Group, and as of 31 May 2024, the Group had five marine construction projects in progress.

During the Year, the Group incurred a gross loss of approximately HK\$32.8 million on its marine construction works, compared to a gross loss of approximately HK\$42.3 million for the corresponding prior year. The loss can primarily be attributed to the challenges encountered during the reconstruction of the piers, which resulted in higher costs than initially anticipated. The reconstruction of a pier involves numerous complexities, particularly in terms of piling works using vessels. The weather conditions, such as strong winds, sea level and turbulent sea waves, posed additional difficulties during the drilling and bored casting process on the seabed. These adverse conditions not only impacted the planning and execution of the construction but also affected resource utilization, including the standby time of staff, machinery, and vessels. Additionally, one of the piers on Lantau Island has faced significant delays due to persistent occupation of the working areas by other vessels. As a result, the Group's vessels are not able to access the designated areas and commence the scheduled reconstruction works as planned. Since revenue is contingent on the progress of work done, the absence of work being carried out at that pier has resulted in the Group incurring overhead costs, as well as idle machinery and vessels, without generating corresponding revenue. These unforeseen difficulties and unfavorable circumstances resulted in a gross loss during the Year.

## **Other civil engineering works**

During the Year, the revenue derived from other civil engineering works amounted to approximately HK\$10.8 million (FY2023: HK\$122.1 million), accounted for a decrease of approximately 91.1%. The decline in revenue can be primarily attributed to the completion of two projects last year, and one project during the Year, while no new other civil engineering project was awarded to the Group during the Year. Besides, the progress of one other civil engineering project in Three-runway system at Chek Lap Kok Airport (the “**3RS**”), which involves excavation and backfilling works, has been delayed due to the main contractor’s inability to hand over the working area to the Group. As at 31 May 2024, the Group had one other civil engineering project in progress.

During the Year, the Group incurred a gross loss of approximately HK\$9.3 million for other civil engineering works, compared to a gross loss of approximately HK\$22.5 million in the previous year. One of the civil engineering projects in Tuen Mun necessitated revisiting the design and performing re-work on certain tasks as per the request of the main contractor. As the re-work involved the procurement of extra materials, such as structural steel, concrete, reinforcement and subcontracting expenses, which exceeded the value of the surety money. After numerous negotiations, the management opted to withdraw from the project, leading to the utilization of the surety money of HK\$10.0 million by the main contractor to discharge the project’s obligations and liabilities which accounted for the major reason for the gross loss.

During the Year, the Group had undertaken eight projects and the aggregate initial contract sum amounted to approximately HK\$494.1 million. Out of the above eight projects, one project has been terminated and one project has been completed during the Year. As at 31 May 2024, there are six projects on hand. Based on the information available and barring unforeseen circumstances, it is expected that five projects will be completed during the year ending 31 May 2025, and one project will be completed during the year ending 31 May 2026. Set out below is the information of the projects undertaken by the Group during the Year:

Site Location/ Project	Role	Segment	Type of Works	Status as at 31 May 2024
Sai Kung and Tai Po	Main contractor	Marine construction works	Reconstruction of piers	In progress
Lantau Island	Main contractor	Marine construction works	Reconstruction of piers	In progress
3RS	Subcontractor	Marine construction works	Supply of sand fill material for the north runway reconstruction project	In progress
North Point	Subcontractor	Marine construction works	Piling works	In progress*
Lei Yue Mun	Subcontractor	Marine construction works	Excavation and disposal of rock material	In progress*
Tuen Mun	Subcontractor	Other civil engineering works	Excavation and lateral support and pile cap works	Terminated
3RS	Subcontractor	Other civil engineering works	Excavation and backfilling works	In progress
Kai Tak	Subcontractor	Other civil engineering works	Civil works	Completed

\* Newly awarded during the Year

### Vessel chartering services

During the Year, the revenue derived from our vessel chartering services amounted to approximately HK\$21.5 million, representing a growth of approximately 36.2% compared to previous year of approximately HK\$15.8 million. This increase was primarily driven by the award of a new vessel chartering arrangement contract. The gross profit margin of vessel chartering services was approximately 39.5% and 15.7% for the year ended 31 May 2024 and 31 May 2023, respectively. The improvement in gross profit margin can be attributed to the provision of vessels for a short-term transportation contract. Due to the short duration and specific requirements of this contract, such as night work and access to height-restricted areas, the Group charges a higher rental fee to account for the associated risks and costs.

As at 31 May 2024, there were two vessel chartering arrangements in progress with aggregated initial contract sum of approximately HK\$25.7 million. The above-mentioned vessel chartering arrangements are expected to be completed during the year ending 31 May 2025.

## **Health and wellness services**

Since June 2023, the Group has set up a wholly-owned PRC subsidiary to explore the health and wellness industry in the PRC (please refer to the announcement dated 30 June 2023).

In January 2024, the Group's wholly owned PRC subsidiary entered into two strategic cooperation agreements with two e-commerce companies (operators of online e-commerce shopping platforms) to provide health and wellness services and related products for a term of two years (please refer to the announcement dated 25 January 2024).

Immediately after the signing of the two strategic cooperation agreements, the Group has successfully secured a service contract with one of the e-commerce companies, to provide health and wellness services.

During the year ended 31 May 2024, the Group has generated revenue of approximately HK\$4.6 million from health and wellness services segment.

## **Other income**

The Group's other income increased from approximately HK\$2.5 million for year ended 31 May 2023 to approximately HK\$4.7 million for the Year. This increase was primarily due to the gain on disposal of four vessels.

## **General and administrative expenses**

The general and administrative expenses of the Group for the Year amounted to approximately HK\$16.5 million, representing an increase of approximately 14.0% compared to approximately HK\$14.5 million for the year ended 31 May 2023. Such increase was mainly attributable by the increase in staff costs.

## **Impairment losses on property, plant and equipment and right-of-use assets**

The Group sustained a loss for the year ended 31 May 2024 with net operating cash outflow, which the management considered to be an indicator of potential impairment that the carrying values of property, plant and equipment and right of use assets of the Group may not be fully recovered. The decrease in impairment losses was mainly due to most of the provisions has been made in last year and not much new addition of provisions on property, plant and equipment and right-of-use assets during the Year.

## **Total comprehensive expense for the year**

Loss attributable to equity shareholders of the Company amount to approximately HK\$44.1 million as compared with loss attributable to equity shareholders of approximately HK\$87.1 million for the corresponding prior year. Basic and diluted loss per share was HK17.42 cents as compared to HK\$39.14 (restated) for the corresponding prior year.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group has funded its liquidity and capital requirements primarily through internal cash resources.

As at May 2024, the Group has cash and bank balances of approximately HK\$25.8 million (including cash and cash equivalents) (31 May 2023: approximately HK\$33.7 million). The year-on-year decrease was mainly due to cash used in operation of approximately HK\$26.7 million, offset by proceeds from placing of shares of approximately HK\$12.0 million and proceeds from disposal of vessels of approximately HK\$8.6 million. There is no interest-bearing borrowing for the Group as at 31 May 2024. The Group may seek to issue debt or equity securities or obtain credit facilities or other sources of funding, to optimize our capital structure.

### **DIVIDEND**

The Board does not recommend any dividend for the Year (31 May 2023: Nil).

### **CHARGE ON ASSETS**

As at 31 May 2024, the Group did not have any charge on assets (31 May 2023: nil).

### **FOREIGN EXCHANGE RISK**

The Group mainly operates in Hong Kong and most of the operating transactions are denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant. The Group has not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the Year.

### **EMPLOYEES AND REMUNERATION POLICY**

As at 31 May 2024, the Group employed 109 employees (31 May 2023: 88). Total staff costs including Directors' remuneration for the Year amounted to approximately HK\$53.4 million (year ended 31 May 2023: HK\$36.4 million). Individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses, and promotions based on the performance of each employee.

### **SHARE OPTION SCHEME**

A share option scheme (the “**Scheme**”) was conditionally adopted by the written resolution of the Company's then sole shareholder on 13 November 2020. The major terms of the Share Option Scheme are set out in the paragraph headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to the Prospectus. No share option has been granted, exercised, cancelled or lapsed under the Scheme since its adoption on 13 November 2020 and there is no outstanding share option as at the date of this announcement.

## **CAPITAL COMMITMENTS**

The Group has no capital commitments as at 31 May 2024 (31 May 2023: Nil).

## **CONTINGENT LIABILITIES**

At the end of the reporting period, the directors of the Company do not consider it is probable that any claims will be made against the Group and the surety bonds are expected to be released in accordance with the terms of the respective contracts.

## **MATERIAL ACQUISITION AND DISPOSALS**

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

## **SIGNIFICANT INVESTMENTS**

During the Year under review, the Group did not hold any material investments.

## **PROSPECTS**

The Board expects that financial year 2024/2025 will still be challenging for our marine construction and other civil engineering works due to the fierce competition in the market and the increased technical requirements for bidding projects.

During the Year, the increased revenue from marine construction works, other civil engineering works, and vessel chartering services segments was mainly due to the high margin from certain projects awarded in last year, as well as the improved cost control of the Group. The Group will continue to stick with this strategy, to bid for better and higher margin projects and to implement effective cost control in the future.

During the Year, the Group has successfully developed a new business segment, health and wellness services. The Board is of the view that the launch of the new business activity presents an opportunity for the Group to diversity its existing business portfolio and takes advantage of the expertise and experience of the management of the Group. Further, driven by the increasing and aging population, the prevalence of chronic diseases, and the increased awareness and affordability of patients in the PRC, there is an increasing demand for diseases prevention and treatment in the PRC, creating potential for the development of the new business activity. The Company also considers that the new business activity is in line with the PRC's ongoing healthcare policy "Healthy China 2030" (健康中國2030) promoting, among others, improving general healthcare in the PRC and domestic developed medical technology and devices. The Group will continue to explore the health and wellness services segment in the future, with focus on the prevention and treatment of cardiovascular and cerebrovascular diseases such as hypertension, hyperglycemia, hyperlipidemia. In addition, we plan to establish an internet shopping mall in the coming year, to start the sales and marketing of the health and wellness related products.

## **ISSUE OF NEW SHARES UNDER GENERAL MANDATE**

On 20 September 2023, an aggregate of 444,800,000 new shares have been successfully placed pursuant to the placing agreement (the “**Placing**”). The gross proceeds from the Placing are approximately HK\$12.0 million and the net proceeds, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) incidental to the Placing, are approximately HK\$11.6 million. All the net proceeds from the Placing will be applied for the general working capital of the Group.

Details of the Placing are set out in the announcements of the Company dated 5 September 2023 and 20 September 2023.

## **CAPITAL REORGANISATION**

On 4 October 2023, the Company has proposed share consolidation of every ten (10) existing shares of HK\$0.01 each into one (1) consolidated share of HK\$0.1 each (the “**Share Consolidation**”). On 13 October 2023, the Company has issued circular of the proposed Share Consolidation and notice of extraordinary general meeting (“**EGM**”). On 31 October 2023, the Share Consolidation has been approved at EGM and became effective on 2 November 2023.

## **USE OF PROCEEDS**

### **(i) Use of proceeds from Initial Public Offering**

The net proceeds (the “**Net Proceeds**”) of the share offer received by the Company in relation to the listing (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited were approximately HK\$84.0 million, after deduction of underwriting fees and commissions and expenses. The original proposed application of the Net Proceeds was set out in the paragraph headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 23 November 2020 (the “**Prospectus**”). All of the Net Proceeds has been used as at 31 May 2023.

### **(ii) Use of proceeds from September 2023 Placing**

References are made to the announcement dated 20 September 2023 in relation to the completion of the Placing under general mandate. During the Year, the net proceeds had been fully applied for the general working capital of the Group.

## **COMPETING BUSINESS**

None of the controlling shareholders or the Directors of the Company and their respective associates is interested in a business apart from the Group’s business which competes or is likely to compete, directly or indirectly, with the Group’s business during the Year.



## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES**

During the Year, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company is committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") under Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") as its own code of corporate governance. During the Year, the Company has complied with the code provisions set out in the CG Code.

## **NON-COMPLIANCE WITH RULES 3.10 AND 3.21 OF THE LISTING RULES**

On 1 August 2024, Mr. Luo Sheng resigned as the independent non-executive Director of the Company. After his resignation, the total number of the independent non-executive Directors of the Company has been reduced to two, which represent less than three independent non-executive Directors as required under Rule 3.10 of the Listing Rules. The number of members of the Audit Committee, Remuneration Committee and Nomination Committee of the Board would also be reduced to two and fall below the minimum number required under Rule 3.21 of the Listing Rules and the respective terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee.

The Board will commence a process to identify replacement so as to fulfil the requirements as set out in Rules 3.10 and 3.21 of the Listing Rules, and in the respective terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee as regards the minimum number of members.

## **COMPLIANCE WITH MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as the guidelines for the Directors' dealing in the securities of the Company. Having made specific enquiries of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the Year.

## **AUDIT COMMITTEE**

The Board has established an Audit Committee on 13 November 2020 with written terms of reference in compliance with the CG code. The Audit Committee currently consists of two members who are all independent non-executive Directors, namely Mr. Wan San Fai Vincent and Mr. Wen Xiaoxiao. The Audit Committee has reviewed the accounting principles, accounting standards, and methods adopted by the Company together with the management, discussed the matters concerning the Group's risk management and internal controls system, as well as reviewed the Group's audited annual results for the Year.

## **EVENTS AFTER THE REPORTING PERIOD**

There were no significant events after the year ended 31 May 2024 and up to the date of this announcement.

## **SCOPE OF WORK OF PRISM HONG KONG LIMITED (FORMERLY KNOWN AS PRISM HONG KONG AND SHANGHAI 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 ended 31 May 2024 as set out in the preliminary announcement have been agreed by Prism Hong Kong Limited (Formerly know as Prism Hong Kong and Shanghai Limited), the Group's auditor, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by the Group's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Group's auditor on the preliminary announcement.

## **PUBLICATION OF ANNUAL RESULTS AND 2023/2024 ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.tianchengholdings.com.cn](http://www.tianchengholdings.com.cn)). The 2023/2024 annual report will be despatched to the shareholders of the Company and available on the same websites in due course.

By order of the Board  
**Tian Cheng Holdings Limited**  
**Zheng Yanling**  
*Chairman and Executive Director*

Hong Kong, 26 August 2024

*As at the date of this announcement, the Board comprises six Directors, namely Ms. Zheng Yanling, Mr. Ouyang Jianwen, Mr. Luo Hao and Mr. Wong Yuk as executive Directors; and Mr. Wan San Fai Vincent and Mr. Wen Xiaoxiao as independent non-executive Directors.*