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Wei Yuan Holdings Limited

偉源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1343)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Wei Yuan Holdings Limited (the “**Company**”) is pleased to present the consolidated audited results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2023 together with comparative audited figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 S\$’000	2022 S\$’000
Revenue	4	101,575	102,725
Cost of sales		(87,097)	(90,527)
Gross profit		14,478	12,198
Other income and other gains, net	5	798	2,041
Administrative expenses		(9,642)	(9,757)
Reversal of impairment of trade receivables, deposits and contract assets, net		182	656
Operating profit	6	5,816	5,138
Finance income	7	82	24
Finance costs	7	(1,598)	(1,251)
Share of loss of joint ventures, net of tax	10	(729)	(179)
Impairment of investment in a joint venture	10	(1,050)	–
Profit before income tax		2,521	3,732
Income tax expense	8	(1,175)	(1,059)
Profit for the year		1,346	2,673

	<i>Notes</i>	2023 S\$'000	2022 S\$'000
Profit for the year attributable to:			
Equity holders of the Company		768	2,173
Non-controlling interests		578	500
		<u>1,346</u>	<u>2,673</u>
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		(4)	16
Share of other comprehensive income/(loss) of joint ventures	<i>10</i>	88	(282)
		<u>84</u>	<u>(266)</u>
Other comprehensive income/(loss) for the year, net of tax			
		<u>84</u>	<u>(266)</u>
Total comprehensive income for the year attributable to:			
Equity holders of the Company		852	1,907
Non-controlling interests		578	500
		<u>1,430</u>	<u>2,407</u>
Earnings per share (expressed in Singapore cents per share)			
Basic and diluted	<i>9</i>	<u>0.07</u>	<u>0.20</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 <i>S\$'000</i>	2022 <i>S\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		21,352	22,885
Right-of-use assets		3,116	3,467
Investment properties		2,290	2,265
Investments in joint ventures	<i>10</i>	1,932	3,623
Other financial assets		89	88
Deferred income tax assets		9	49
		28,788	32,377
Current assets			
Inventories		1,122	1,135
Trade receivables	<i>11</i>	7,846	8,216
Contract assets	<i>14</i>	46,809	49,951
Deposits, prepayments and other receivables		2,282	2,430
Pledged bank deposits		3,503	1,469
Cash and banks and on hand		18,967	16,864
		80,529	80,065
Current liabilities			
Trade and retention payables	<i>13</i>	12,541	14,833
Accruals, other payables and provisions		5,912	4,574
Contract liabilities	<i>14</i>	329	550
Current income tax liabilities		1,036	977
Bank and other borrowings	<i>12</i>	26,778	29,623
Lease liabilities		695	522
		47,291	51,079
Net current assets		33,238	28,986
Total assets less current liabilities		62,026	61,363

	<i>Notes</i>	2023 S\$'000	2022 <i>S\$'000</i>
Non-current liabilities			
Deferred income tax liabilities		272	131
Bank and other borrowings	<i>12</i>	2,169	2,424
Lease liabilities		2,584	3,071
Provisions		704	645
		<u>5,729</u>	<u>6,271</u>
Net assets		<u>56,297</u>	<u>55,092</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>15</i>	1,915	1,915
Share premium		15,475	15,475
Revaluation reserve		586	586
Other reserve		10,413	10,413
Exchange reserve		85	1
Retained earnings		24,904	24,136
		<u>53,378</u>	<u>52,526</u>
Non-controlling interests		<u>2,919</u>	<u>2,566</u>
Total equity		<u>56,297</u>	<u>55,092</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands on 15 May 2019 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business is 37 Kranji Link, Singapore 728643.

The Company is an investment holding company. The Company and its subsidiaries (the “**Group**”) are principally engaged in carrying out civil engineering projects. The ultimate holding company of the Company is WG International (BVI) Limited (“**WGI BVI**”), a company incorporated in the British Virgin Islands (“**BVI**”) and the ultimate controlling parties of the Group are Mr. Ng Tian Soo, Mr. Ng Tian Kew, Mr. Ng Tian Fah, and Ms. Ng Mei Lian (collectively the “**Controlling Shareholders**”).

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), which collective term includes all International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations issued by the International Accounting Standards Board (the “**IASB**”), and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The consolidated financial statements are presented in Singapore Dollars (“**S\$**”). All values are rounded to the nearest thousand except when otherwise indicated. The directors of the Company considered Hong Kong dollars (“**HK\$**”) as the functional currency of the Company since the business transactions, in terms of operating, investing and financing activities of the Company itself are mainly denominated in HK\$.

Adoption of new or amendments to IFRSs

In the current year, the Group has adopted for the first time the following new or amendments to IFRSs issued by IASB, which are relevant and mandatorily effective for the Group's consolidated financial statements for the accounting period beginning on 1 January 2023:

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

The adoption of the above new or amendments to IFRSs has had no material impact on the Group's financial performance and position for the current and prior periods and/or the disclosures set out in these consolidated financial statements except for the following:

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the IFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

Amendments to IFRSs not yet effective

The following are amendments to IFRSs that have been issued, but are not yet effective and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined*
Amendment to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025

* On 17 December 2015, the IASB issued “Effective Date of Amendments to IFRS 10 and IAS 28”. This update defers the effective date of the amendments in “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” that the IASB issued in September 2014. Early application of these amendments continues to be permitted.

The Group has already commenced an assessment of the related impact to the Group of the above amendments that are relevant to the Group upon initial adoption. According to the preliminary assessment made by the directors of the Company, management does not anticipate any significant impact on the Group’s financial position and financial performance.

3 SEGMENT INFORMATION

The Chief Operating Decision-Maker (the “**CODM**”) has been identified as the executive directors of the Group who review the Group’s internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM assesses the performance based on profit after income tax and considers all businesses to be included in a single operating segment.

The Group is principally engaged in the general construction of civil engineering projects through the operating companies in Singapore. Information reported to the CODM, for the purpose of resources allocation and performance assessment, focuses on the operating results of the operating companies as a whole as the Group’s resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

All of the Group’s activities, other than those of certain joint ventures and newly incorporated subsidiaries in the People’s Republic of China (the “**PRC**”), are carried out in Singapore and all of the Group’s assets and liabilities are located in Singapore. Accordingly, no analysis by geographical basis was presented.

During the year ended 31 December 2023, there were 3 (2022: 2) customers which individually contributed to over 10% of the Group's total revenue. Revenue generated from these customers during the years ended 31 December 2023 and 2022 are summarised below:

	2023	2022
	S\$'000	S\$'000
Customer 1	24,317	48,149
Customer 2	15,219	21,579
Customer 3 (<i>Note</i>)	12,268	6,624
	<u>12,268</u>	<u>6,624</u>

Note:

The revenue contributed by customer 3 for the year ended 31 December 2022 did not exceed 10% of the Group's total revenue.

4 REVENUE

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following streams of revenue:

	2023	2022
	S\$'000	S\$'000
Revenue from contract works	86,234	91,313
Road milling and resurfacing services	10,361	7,410
Ancillary support and other services	3,454	2,393
Sale of goods and milled waste	1,526	1,609
	<u>101,575</u>	<u>102,725</u>
Revenue recognised:		
Over time	100,049	101,116
At point in time	1,526	1,609
	<u>101,575</u>	<u>102,725</u>

5 OTHER INCOME AND OTHER GAINS, NET

	2023 S\$'000	2022 S\$'000
Other income:		
Rental income from investment properties	67	67
Rental income from a property <i>(Note (a))</i>	328	328
Government grants <i>(Note (b))</i>	125	954
Workplace safety and health awards	48	66
Civil engineering and construction related works excellence cash award received from customer	–	100
Gain on early termination on lease	–	–*
Others	5	75
	<u>573</u>	<u>1,590</u>
Other gains, net:		
Gain on disposal of property, plant and equipment, net	202	182
Loss on write off of property, plant and equipment, net	(3)	(12)
Fair value gain on investment properties	25	280
Changes in cash surrender value of key management insurance contracts	1	1
	<u>225</u>	<u>451</u>
	<u>798</u>	<u>2,041</u>

* Less than S\$1,000

Notes:

- (a) A property acquired during the year ended 31 December 2021 comprises a portion that was held to earn rentals. The management views that the portion could not be sold separately and the portion held for rentals income is insignificant. The property is mainly used as warehouse of the Group, therefore it is classified as properties, plant and equipment.
- (b) For the year ended 31 December 2023, government grants were represented by general incentives and subsidies provided by Singapore Government for supporting local entities and community, such as Enterprise Development Grant, Senior Employment Credit, Progressive Wage Credit Scheme, Childcare Leave Scheme etc. For the year ended 31 December 2022, except for these general incentives and subsidies, there was also a Foreign Worker Levy Rebate of approximately S\$634,000 from Singapore Government for supporting the development of construction industry and was ceased after June 2022. These incentives and subsidies were granted in the form of cash payout and there were not unfulfilled conditions or contingencies relating to these grants.

6 OPERATING PROFIT

Operating profit for the year is stated after charging/(crediting) the followings:

	2023	2022
	S\$'000	S\$'000
Raw material and consumables used (<i>Note</i>)	12,617	12,268
Subcontracting charges (<i>Note</i>)	30,966	38,106
Site expenses (<i>Note</i>)	4,320	3,462
Auditor's remuneration	207	213
Depreciation of property, plant and equipment (<i>Note</i>)	5,635	5,346
Depreciation of right-of-use assets (<i>Note</i>)	991	717
Employee benefits expenses, including directors' emoluments (<i>Note</i>)	27,592	25,830
Insurance expenses (<i>Note</i>)	832	1,354
Expenses relating to short term leases and low value assets (<i>Note</i>)	29	70
Reversal of onerous contract (<i>Note</i>)	—	(310)
	<u> </u>	<u> </u>

Note:

Amounts are included in cost of sales.

7 FINANCE INCOME AND FINANCE COSTS

	2023	2022
	S\$'000	S\$'000
Finance income		
Interests from:		
— Bank deposits	40	19
— Pledged bank deposits	42	5
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	82	24
	<u> </u>	<u> </u>
Finance costs		
Interests on:		
— Bank and other borrowings	1,425	1,074
— Lease liabilities	150	155
— Unwinding of discount of reinstatement costs	23	22
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	1,598	1,251
	<u> </u>	<u> </u>

8 INCOME TAX EXPENSE

	2023 S\$'000	2022 S\$'000
Current tax		
— Current year — Singapore (<i>Note (e)</i>)	1,036	896
— (Over)/under provision in prior years	(42)	85
Deferred tax		
— Current year	<u>181</u>	<u>78</u>
Income tax expense	<u><u>1,175</u></u>	<u><u>1,059</u></u>

Notes:

- (a) Under the current laws of Cayman Islands, the Company is not subject to tax on income or capital gain. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.
- (b) No provision for income tax in BVI has been made as the Company's subsidiaries had no assessable income in BVI during the year ended 31 December 2023 (2022: Nil).
- (c) Hong Kong Profits Tax had not been provided for as the Company and its subsidiaries had no assessable profit in Hong Kong during the year ended 31 December 2023 (2022: Nil).
- (d) No provision for income tax in the PRC has been made as the Company's subsidiaries had no assessable income in the PRC during the year ended 31 December 2023 (2022: Nil).
- (e) The Group mainly operates in Singapore. Income tax had been provided at the applicable tax rate of 17% of Singapore on the estimated assessable profits during the year ended 31 December 2023 (2022: 17%).

9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2023	2022
Earnings:		
Profit for the year attributable to the equity holders of the Company (<i>S\$'000</i>)	<u>768</u>	<u>2,173</u>
Number of shares:		
Weighted average number of ordinary shares (<i>in thousand</i>)	<u>1,064,000</u>	<u>1,064,000</u>

For the year ended 31 December 2023, the number of shares used for the purpose of calculating basic earnings per share represents the weighted average of 1,064,000,000 ordinary shares in issue during the year (2022: Same).

Diluted earnings per share was the same as the basic earnings per share as there were no diluted potential ordinary shares outstanding during the year ended 31 December 2023 (2022: Same).

10 INVESTMENTS IN JOINT VENTURES

	2023	2022
	<i>S\$'000</i>	<i>S\$'000</i>
At 1 January	3,623	4,084
Share of loss for the year, net of tax	(729)	(179)
Share of other comprehensive income/(loss) for the year, net of tax	88	(282)
Impairment of investment	<u>(1,050)</u>	<u>–</u>
At 31 December	<u>1,932</u>	<u>3,623</u>

Set out below are the joint ventures of the Group. These joint ventures have share capital consisting solely of ordinary shares, which are held indirectly through subsidiaries of the Group.

Name of entity	Place of incorporation	Place of business	% of ownership interest	
			As at 31 December 2023	2022
SWG Alliance Pte. Ltd. (“SWG”) and its subsidiaries (<i>Note i</i>)	Singapore	Singapore and Malaysia	40	40
Futurus Construction Pte. Ltd. (<i>Note ii</i>)	Singapore	Singapore	40	40

Notes:

- (i) SWG is an investment holding company. The principal activities of its subsidiaries are manufacture of precast concrete, cement or artificial stone articles, manufacture of asphalt and quarry products.
- (ii) Futurus Construction Pte. Ltd. is principally engaged in the business of distribution and leasing of machinery and equipment relating to the civil engineering industry.

The investment in SWG has written down to its recoverable amount as at 31 December 2023, which was determined based on its value in use using the discounted cashflow model. The result of the total projected cashflow was discounted to its present value, the equity share thereof was then compared to the carrying value of SWG as at 31 December 2023. Impairment was provided when recoverable amount is less than the carrying amount.

15% pre-tax discount rate was used by the Group in performing the discounted cashflow of SWG, which represented the management's best estimate of current market assessment of (a) the time value of money; and (b) the risks specific to the asset for which the future cash flow estimates have not been adjusted.

As at 31 December 2023, the Group's equity share of the recoverable amount of SWG, based on 15% discounted cashflow, was approximately S\$1,865,000. Compared with the carrying value of SWG as at the same date of approximately S\$2,915,000, impairment of investment of approximately S\$1,050,000 was provided accordingly.

11 TRADE RECEIVABLES

	2023 S\$'000	2022 S\$'000
Trade receivables		
— Third parties	7,888	8,386
— Related party	100	4
	<u>7,988</u>	<u>8,390</u>
Less: Allowance for impairment	(142)	(174)
	<u>7,846</u>	<u>8,216</u>

The Group's credit terms granted to third-party customers are generally 30 to 45 days.

The ageing analysis of the trade receivables at gross amount, presented based on invoice date at the end of the reporting period, was as follows:

	2023	2022
	S\$'000	S\$'000
Less than 30 days	6,398	6,932
31–60 days	702	701
61–90 days	544	141
91–120 days	48	30
121–365 days	23	288
More than 1 year	273	298
	<u>7,988</u>	<u>8,390</u>

Movement in the allowance for impairment of trade receivables was as follows:

	Lifetime ECL — not credit impaired	Lifetime ECL — credit impaired	Total
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
As at 1 January 2022	20	291	311
Impairment made	32	17	49
Impairment reversed	–	(185)	(185)
Impairment utilised	–	(1)	(1)
	<u>52</u>	<u>122</u>	<u>174</u>
As at 31 December 2022 and 1 January 2023	52	122	174
Impairment made	–	4	4
Impairment reversed	(15)	(13)	(28)
Impairment utilised	–	(8)	(8)
	<u>37</u>	<u>105</u>	<u>142</u>
As at 31 December 2023	<u>37</u>	<u>105</u>	<u>142</u>

The Group applied the simplified approach to provide for expected credit losses prescribed by IFRS 9.

12 BANK AND OTHER BORROWINGS

	2023	2022
	S\$'000	S\$'000
Borrowings from bank — secured	28,423	31,256
Borrowings from non-bank financial institution — secured	524	791
	<u>28,947</u>	<u>32,047</u>

As at 31 December 2023, the Group's bank borrowings with carrying amount of approximately S\$20,817,000 (2022: S\$13,861,000) were variable-rate borrowings which carried annual interest ranging from 1.68% to 6.73% (2022: 1.44% to 6.40%) per annum.

The Group's borrowings, after taking into account of repayable on demand clause, were repayable as follows:

	2023	2022
	S\$'000	S\$'000
Within 1 year or on demand	26,778	29,623
After 1 year but within 2 years	1,451	1,265
After 2 years but within 5 years	718	1,159
	<u>28,947</u>	<u>32,047</u>

As at 31 December 2023, the Group's bank borrowings were secured by the investment properties, self-occupied properties, carrying amount of motor vehicles and plant and machinery held under hire purchase commitments, pledged bank deposits and corporate guarantee by the Company (2022: Same).

The weighted average interest rate was 4.51% (2022: 2.86%) as at 31 December 2023.

13 TRADE AND RETENTION PAYABLES

The average credit period granted for creditors was 30 days.

	2023	2022
	S\$'000	S\$'000
Trade payables		
— Third parties	12,175	14,612
— Related parties	16	56
	<u>12,191</u>	<u>14,668</u>
Retention payables		
— Third parties	350	165
	<u>12,541</u>	<u>14,833</u>

The ageing analysis of the trade payables, presented based on invoice date at the end of the reporting period, was as follows:

	2023	2022
	S\$'000	S\$'000
Less than 30 days	8,648	11,906
31–60 days	1,805	1,025
61–90 days	778	410
91–120 days	915	455
121–365 days	8	815
More than one year	37	57
	12,191	14,668

As at 31 December 2023, retention payables of approximately S\$350,000 (2022: S\$165,000) were expected to be settled within twelve months after the end of the reporting period.

14 CONTRACT ASSETS/(LIABILITIES)

	2023	2022
	S\$'000	S\$'000
Retention sum for contract works	1,471	1,059
Unbilled revenue of contracts	45,437	49,194
	46,908	50,253
Less: Allowance for impairment	(99)	(302)
Contract assets	46,809	49,951
Contract liabilities	(329)	(550)
Retention held by customers expected to be settled:		
To be recovered within 12 months	1,471	1,059

All contract assets and contract liabilities are mainly from contract works and road milling and resurfacing services. The changes in the contract assets and contract liabilities for the year were resulted from the pace of the progress of certain projects and the timing of approval for progress billing application for certain projects.

Retention sum for contract works are settled in accordance with the terms of the respective contracts. In the consolidated statement of financial position, retention sum for contract works were classified as current assets based on operating cycle. Prior to expiration of defect liability period, these are classified as contract assets, which ranges from one to five years from the date of the practical completion of the construction. The relevant amount of contract asset is unsecured and interest-free and reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the construction services performed comply with agreed-upon specifications and such assurance cannot be purchased separately. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion or the expiry of the defect liability period.

Contract assets represent the Group's right to receive consideration for work completed but not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

The Group classifies these contract assets as current assets because the Group expects to realise them in its normal operating cycle.

15 SHARE CAPITAL

	Par value <i>HK\$</i>	No. of shares	Share capital <i>HK\$'000</i>
Authorised:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>0.01</u>	<u>2,000,000,000</u>	<u>20,000</u>
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>S\$'000</i>
Issued and fully paid:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>1,064,000,000</u>	<u>10,640</u>	<u>1,915</u>

16 DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2023 (2022: Nil).

17 SUBSEQUENT EVENTS

There are no significant events affecting the Group which have occurred after the year ended 31 December 2023 and up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

According to the Ministry of Trade and Industry Singapore (“**MTI**”) announcement on 15 February 2024, the construction sector grew by 5.2% in 2023, as compared with the growth of 4.6% in 2022. The growth was supported by expansions in both public and private sector construction works.

The civil engineering utilities market in Singapore which rebounded from the disruptions by the COVID-19 pandemic, has shown positive growth in 2023. However, new challenges such as geopolitical tensions, sustained high-interest rates, and increased borrowing costs have raised concerns among contractors. These factors, coupled with the impact of high oil prices on transportation and operational costs, threaten to affect profit margins.

BUSINESS REVIEW AND PROSPECT

The core business and revenue structure of the Group have remained unchanged for the year ended 31 December 2023. The Group’s operations, other than those of certain joint ventures and the newly incorporated subsidiaries in the People’s Republic of China (the “**PRC**”), are located in Singapore and its revenue and profit from operations are solely derived from contract works rendered within Singapore. The Group is actively involved as a main contractor or subcontractor in both private and public sector projects and the revenue was principally derived from (i) contract works in relation to the installation of power cables, telecommunication cables (including ISP works and OSP works) and sewerage pipelines by applying methods such as open cut excavation or trenchless methods; (ii) road milling and resurfacing services; (iii) ancillary support and other services; and (iv) sales of goods and milled waste. Additionally, the Group contracted business opportunities in trading of building materials in the PRC in 2024.

While the civil engineering industry is expected to grow to pre-pandemic level, the Group expects operating conditions to remain challenging in 2024. For the year ended 31 December 2023, the Group recorded a total revenue of approximately S\$101.6 million, representing a decrease of approximately S\$1.1 million from approximately S\$102.7 million for the year ended 31 December 2022. The decrease in revenue was mainly due to lower revenue generated from contract works for the year ended 31 December 2023 compared to the year ended 31 December 2022. The civil engineering industry is further constrained by (i) the change to the dependency ceiling ratio of foreign workers to total workforce that a company in a given sector can employ commenced from January 2024, which could impact productivity; and (ii) the rising materials, oil and diesel prices, which are major contributors to the overall increase in construction costs for the ongoing projects. In addition, the current interest rate environment is expected to raise. The Group’s cost of borrowing and consequently affect its overall margins. These unfavourable factors have affected the operations of the Group in Singapore.

Business strategies of the Group remained unchanged for 2024. Looking ahead, the Group will (i) closely monitor the pace of market recovery from the COVID-19 and assess its impact on its operations continuously; (ii) continue to leverage its solid track record and proven expertise to tender for public and private sector projects; (iii) prioritise cash conservation; (iv) adopt tighten cost control measures; (v) actively participate in tendering for new projects to strengthen the Group’s market position; and (vi) exercise caution when exploring business opportunities.

ONGOING PROJECTS

As at 31 December 2023, the Group had 29 ongoing projects, including 24 ongoing power cable installation projects and five telecommunication cable installation projects with an aggregated contract sum of approximately S\$176.2 million, of which approximately S\$82.1 million has been recognised as revenue up to 31 December 2023 (31 December 2022: 40 ongoing projects, including 36 ongoing power cable installation projects and four telecommunication cable installation projects with an aggregated contract sum of approximately S\$267.0 million, of which approximately S\$164.2 million has been recognised as revenue). The remaining balance will be recognised as the Group’s revenue in subsequent periods in accordance with the respective stage of completion.

FINANCIAL REVIEW

Below is the financial review for the year ended 31 December 2023 (“FY2023”) compared to the year ended 31 December 2022 (“FY2022”).

Revenue

The following table sets out the breakdown of the Group’s revenue by goods and services types for FY2023 and FY2022.

	FY2023	FY2022
	S\$’000	S\$’000
Revenue from contract works		
— Power	80,602	85,548
— Telecommunication	5,632	5,765
Subtotal	86,234	91,313
Road milling and resurfacing services	10,361	7,410
Ancillary support and other services	3,454	2,393
Sales of goods and milled waste	1,526	1,609
Total	101,575	102,725

The Group's overall revenue decreased by approximately S\$1.1 million from approximately S\$102.7 million in FY2022 to approximately S\$101.6 million in FY2023, representing a decrease of approximately 1.1%. This decrease was mainly attributable to:

- (i) decrease in revenue from contract works by approximately S\$5.1 million was due to the combined effects of (a) decrease in revenue from power cable installation projects by approximately S\$4.9 million which mainly due to lesser progress of the projects with revenue recognised for FY2023 compared to FY2022; and (b) decrease in revenue from telecommunication cable installation projects by approximately S\$0.2 million due to lesser progress of four projects with revenue recognised for FY2023 compared to FY2022;
- (ii) increase in revenue from road milling and resurfacing services by approximately S\$3.0 million;
- (iii) increase in revenue from ancillary support and other services by approximately S\$1.1 million due to increased revenue from leasing of vehicles; and
- (iv) slight decrease in revenue from sales of goods and milled waste by approximately S\$0.1 million.

Cost of sales

The Group's cost of sales decreased by approximately S\$3.4 million from approximately S\$90.5 in FY2022 to approximately S\$87.1 million in FY2023, representing a decrease of approximately 3.8%. The decrease was in line with the decrease in revenue as discussed above.

Gross profit and gross profit margin

The Group's gross profit increased by approximately S\$2.3 million from approximately S\$12.2 million in FY2022 to approximately S\$14.5 million in FY2023, while the Group's gross profit margin increased from approximately 11.9% in FY2022 to approximately 14.3% in FY2023. The increase in gross profit and gross profit margin was mainly due to the more-than-proportionate decrease in cost of sales of the Group.

Other income and other gains, net

Other income and other gains, net decreased by approximately S\$1.2 million from approximately S\$2.0 million in FY2022 to approximately S\$0.8 million in FY2023 was mainly due to (i) the cessation of Foreign Worker Levy Rebate from Singapore Government for supporting the development of construction industry after June 2022; and (ii) the decrease in fair value gain on investment properties of approximately S\$0.3 million in FY 2023.

Administrative expenses

The Group's administrative expenses decreased slightly by approximately S\$0.2 million from approximately S\$9.8 million in FY2022 to approximately S\$9.6 million in FY2023. Such decrease was mainly attributable to the combined effects of (i) decrease in professional fees of approximately S\$0.3 million; and (ii) increase in employee benefits expenses of approximately S\$0.6 million.

Reversal of impairment of trade receivables, deposits and contract assets, net

Reversal of impairment of trade receivables, deposits and contract assets, net decreased by approximately S\$0.5 million from approximately S\$0.7 million for FY2022 to approximately S\$0.2 million for FY2023. Such change was mainly attributable to (i) reversal of allowance for expected credit loss of contract assets by approximately S\$0.2 million for FY2023; (ii) decrease in allowance for impairment of trade receivables by approximately S\$32,000 in relation to decrease in trade receivables that were aged over 150 days for FY2023; and (iii) impairment made for deposit paid of approximately S\$45,000 for FY2023.

Finance income

Finance income increased by approximately S\$58,000 from approximately S\$24,000 for FY2022 to approximately S\$82,000 for FY2023 which mainly represented interest income from bank deposits and pledged bank deposits.

Finance costs

Finance costs represented interest expenses relating to bank and other borrowings, lease liabilities and unwinding of discount of reinstatement costs and were increased by approximately S\$0.3 million from approximately S\$1.3 million in FY2022 to approximately S\$1.6 million in FY2023. The increase was mainly due to higher average interest rates in FY2023.

Impairment of investment in a joint venture

As at 31 December 2023, the Group's equity share of the recoverable amount of SWG Alliance Pte. Ltd. ("SWG") and its subsidiaries, based on 15% discounted cashflow, was approximately S\$1.8 million. Compared with the carrying value of SWG as at the same date of approximately S\$2.9 million, impairment of investment of approximately S\$1.1 million was provided.

Income tax expense

Income tax expense increased by approximately S\$0.1 million in FY2023 as compared to FY2022. Such increase was mainly attributable to (i) increase in current income tax expense of approximately S\$0.1 million; and (ii) increase of deferred taxation of approximately S\$0.1 million.

Profit for the year

As a result of the foregoing, the Group recorded a net profit of approximately S\$1.3 million in FY2023 as compared to the net profit of approximately S\$2.7 million in FY2022, representing a decrease of approximately S\$1.4 million.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for FY2023 (FY2022: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 March 2020 by the way of share offer and there has been no change in capital structure of the Group since then.

The Group’s liquidity requirements are primarily attributable to the working capital for its business operations. The Group’s principal sources of liquidity comprises of cash generated from business operations, cash and cash equivalents, equity contribution from the shareholders and borrowings. As at 31 December 2023, the Company’s issued share capital was HK\$10,640,000 and the number of issued shares of the Company was 1,064,000,000 ordinary shares of HK\$0.01 each.

As at 31 December 2023, the Group maintained a healthy liquidity position with net current asset balance and cash at banks and on hand of approximately S\$33.2 million (31 December 2022: S\$29.0 million) and approximately S\$19.0 million (31 December 2022: S\$16.9 million) respectively. The Group has continue to implement a prudent cash and financial management policy. The Group’s cash at banks and on hand were denominated in Singapore dollars and Hong Kong dollars, are generally deposited with certain reputable financial institutions.

The Group aims to maintain flexibility in funding by utilising committed credit lines available and interest bearing borrowing, and regularly monitors the current and expected liquidity requirements to ensure that the Group maintains sufficient financial resources to meet its liquidity requirements at all times.

Borrowings

As at 31 December 2023, the Group had total borrowings (including bank and other borrowings and lease liabilities) of approximately S\$32.2 million (31 December 2022: S\$35.6 million) which were denominated in Singapore dollars. As at 31 December 2023, the Group's bank borrowings of approximately S\$8.1 million bear interest at fixed interest rates, while bank borrowing of approximately S\$20.8 million bear interest at floating interest rates. The Group's borrowings have not been hedged by any interest rate financial instruments. Details of the maturity profile and interest rate of the borrowings are set out in Note 12 to this announcement.

Gearing ratio

Gearing ratio is calculated as total borrowings (including bank and other borrowings and lease liabilities) divided by the total equity at the end of the respective period.

As at 31 December 2023, the gearing ratio of the Group was approximately 57.2% (31 December 2022: 64.7%). The decrease in gearing ratio as at 31 December 2023 was mainly due to the decrease in bank and other borrowings by approximately S\$3.1 million as at 31 December 2023 as compared to 31 December 2022.

Net debt to total capital ratio

Net debt to total capital ratio is calculated as net debts (i.e. lease liabilities, bank and other borrowings and net of cash at banks and on hand and pledged bank deposits) divided by total capital (i.e. net debts and total equity) at the end of the respective period.

As at 31 December 2023, net debt to total capital ratio of the Group was approximately 14.8% (31 December 2022: 23.9%). The decrease in net debt to total capital ratio as at 31 December 2023 was mainly due to (i) the increase in cash at banks and on hand and pledged bank deposits by approximately S\$4.1 million as at 31 December 2023; and (ii) decrease in bank and other borrowings by approximately S\$3.1 million as at 31 December 2023 as compared to 31 December 2022.

Pledge of assets

As at 31 December 2023, the Group's investment properties with fair value of approximately S\$2.3 million (31 December 2022: S\$2.3 million), self-occupied properties of approximately S\$12.1 million (31 December 2022: S\$14.1 million), carrying amount of motor vehicles and plant and machinery held under hire purchase commitments of approximately S\$3.7 million and S\$2.1 million (2022: S\$2.9 million and S\$2.4 million), respectively and bank deposits of approximately S\$3.5 million (31 December 2022: S\$1.5 million) were pledged for bank and other borrowings.

CAPITAL EXPENDITURES AND COMMITMENTS

For FY2023, the Group incurred capital expenditures of approximately S\$4.3 million (FY2022: S\$4.7 million), primarily due to purchases of plant and equipment and motor vehicles.

As at 31 December 2023, the Group had capital expenditure contracted for as at end of the reporting period but not recognised in the consolidated financial statements in respect of purchases of plant and equipment and motor vehicles of approximately S\$0.3 million (31 December 2022: S\$0.2 million).

CONTINGENCIES

As at 31 December 2023, the Group had performance bonds of guarantees of completion of projects issued by insurance companies and bank amounting to approximately S\$10.4 million (31 December 2022: S\$12.9 million).

As at 31 December 2023, the Group had security bonds made under section 12 of Employment of Foreign Manpower (Work Passes) Regulations amounting to approximately S\$1.8 million (31 December 2022: S\$1.5 million).

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any future plans for material investments and capital assets as at the date of this announcement.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES COMPANIES OR JOINT VENTURES

For FY2023, the Group did not have any significant investment held, material acquisitions or disposals of subsidiaries and associated companies or joint ventures.

Financial instruments

The Group's major financial instruments include trade receivables, deposits and other receivables excluding prepayments, cash at banks and on hand, pledged bank deposits, bank and other borrowings, lease liabilities, trade and retention payables and other payables excluding non-financial liabilities. The Group's management manages such exposure to ensure appropriate measures are implemented on a timely and effective manner.

FOREIGN EXCHANGE EXPOSURE

The headquarters and principal place of business of the Group is in Singapore with its revenue and cost of sales mainly denominated in Singapore dollars, which is the functional currency of all the Group's operating companies.

However, as the shares of the Company have been listed on the Stock Exchange on 12 March 2020, the Group retains Hong Kong dollars amounting to approximately HK\$75,000 as at 31 December 2023 that are exposed to foreign currency risk. The Group does not expect the foreign exchange risk could materially affect the Group's results of operations, and therefore no hedging instrument has been employed. The Group will continue to monitor its foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had a total of 634 full-time employees (31 December 2022: 618) who were directly employed by us. Total staff costs including Directors' emoluments, salaries, wages and other staff benefits, contributions and retirement schemes in FY2023 amounted to approximately S\$27.6 million (FY2022: S\$25.8 million).

The Group offers remuneration package to its employees which includes salary, bonuses and allowance. Generally, the salary and benefit levels of the employees of the Group are based on each of their qualifications, position and seniority. The Group has an annual review system to appraise the performance of its employees, which constitutes the grounds for the decision to the salary raises, bonuses and promotions. The emoluments of the Directors have been reviewed by the Remuneration Committee of the Company, having regard to the performance of Directors and market standards, and approved by the Board. The Company has adopted a share option scheme as an incentive to Directors and eligible employees of the Group.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events affecting the Group which have occurred after the year ended 31 December 2023 and up to the date of this announcement.

CORPORATE GOVERNANCE

For FY2023, the Company complied with the code provisions set out in Part 2 of Corporate Governance Code (the "CG Code") in Appendix C1 of the Listing Rules.

The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 of the Listing Rules as its code of conduct regarding the Directors’ securities transactions (the “**Securities Dealing Code**”). Specific enquiry has been made with all the Directors and all of them, who held office as the Director during FY2023, confirmed that they have complied with the Model Code and the Securities Dealing Code for FY2023. The Company will from time to time reiterate and provide reminders to the Directors regarding the procedures, rules and requirements to be complied with by them in relation to the Directors’ dealings in securities of the Company.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 18 February 2020 as an additional incentive to employees (full-time and part-time), directors, consultants, advisers, substantial shareholders, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the share option scheme since its adoption and during the year ended 31 December 2023, and there is no outstanding share option as at 31 December 2023.

COMPETING INTERESTS

The controlling shareholders of the Company, the Directors and their respective close associates confirmed that each of them does not have any interest 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 ended 31 December 2023, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities for FY2023.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group’s audited financial results for FY2023 and the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with the management of the Company including a review of the audited consolidated financial statements for FY2023 with no disagreement by the audit committee of the Company.

SCOPE OF WORK OF MOORE CPA LIMITED (FORMERLY KNOWN AS “MOORE STEPHENS CPA LIMITED”)

The figures in respect of the Group’s consolidated statement of financial position as at 31 December 2023, consolidated statement of comprehensive income for FY2023 and the related notes thereto as at 31 December 2023 as set out in the preliminary announcement have been agreed by the Group’s auditor, Moore CPA Limited. The work performed by Moore CPA Limited in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by Moore CPA Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company’s website at <http://www.weiyuanholdings.com>. The Company’s annual report for FY2023 and notice of the annual general meeting will be dispatched to the shareholders of the Company and made available on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Wei Yuan Holdings Limited
Ng Tian Soo
Chairman and Executive Director

Singapore, 27 March 2024

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Ng Tian Soo, Mr. Ng Tian Fah and Mr. Huang Lei; and three independent non-executive Directors, namely Mr. Gary Ng Sin Tong (alias Mr. Gary Huang Chendong), Ms. Lee Wing Yin Jessica and Mr. George Christopher Holland.