Wei Yuan Holdings Limited
偉源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1343)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the "**Board**") of directors (the "**Directors**") of Wei Yuan Holdings Limited (the "**Company**") is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2021 together with comparative figures for the corresponding period in 2020 as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2021	2020
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
Revenue	**44,445**	23,188
Gross Profit	**5,981**	1,226
Operating Profit/(Loss)	**2,284**	(3,759)
Profit/(Loss) for the period	**1,242**	(4,917)
Adjusted Profit/(Loss) for the period *(Note 1&2)*	**1,242**	(3,953)
Gross Profit Margin	**13.5%**	5.3%
Profit/(Loss) Margin for the period	**2.8%**	(21.2%)
Adjusted Profit/(Loss) Margin for the period *(Note 1&2)*	**2.8%**	(17.1%)

Notes:

(1) Adjusted profit/(loss) for the period is derived by eliminating the impact of one-off listing expenses from net profit/(loss) for the period.

(2) This non-IFRS financial data is a supplemental financial measure that is not required by, or presented in accordance with IFRSs and is therefore referred to as a "non-IFRS" financial measure. It is not a measurement of the Group's financial performance under IFRSs and should not be considered as an alternative to profit from operations or any other performance measures derived in accordance with IFRSs or as an alternative to cash flows from operating activities or as a measure of the Group's liquidity.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the six months ended 30 June 2021 S$'000 (Unaudited)	2020 S$'000 (Unaudited)
Revenue	4	**44,445**	23,188
Cost of sales		**(38,464)**	(21,962)
Gross profit		**5,981**	1,226
Other income and other gains, net	5	**1,042**	1,633
Administrative expenses		**(4,490)**	(6,306)
Allowance for impairment of trade receivables and contract assets		**(249)**	(312)
Operating profit/(loss)	6	**2,284**	(3,759)
Finance income	7	**5**	4
Finance costs	7	**(516)**	(511)
Share of loss of joint ventures, net of tax		**(217)**	(315)
Profit/(loss) before income tax		**1,556**	(4,581)
Income tax expense	8	**(314)**	(336)
Profit/(loss) for the period		**1,242**	(4,917)
Profit/(loss) for the period attributable to:			
Equity holders of the Company		**947**	(4,775)
Non-controlling interests		**295**	(142)
		1,242	(4,917)

	Note	For the six months ended 30 June 2021 S$'000 (Unaudited)	2020 S$'000 (Unaudited)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences		**31**	394
Other comprehensive income for the period, net of tax		**31**	394
Total comprehensive income/(loss) for the period attributable to:			
Equity holders of the Company		**978**	(4,381)
Non-controlling interests		**295**	(142)
		1,273	(4,523)
Earnings/(loss) per share (expressed in Singapore cents per share)			
Basic and diluted	*9*	**0.09**	(0.49)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2021** *S$'000* **(Unaudited)**	As at 31 December 2020 *S$'000* (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**26,271**	17,332
Right-of-use assets		**5,245**	1,427
Investment property		**380**	380
Investments in joint ventures	*10*	**4,452**	4,669
Other financial assets		**86**	86
Deposit		**–**	715
Deferred income tax assets		**117**	117
		36,551	24,726
Current assets			
Inventories		**1,272**	908
Trade receivables	*11*	**9,982**	5,621
Contract assets	*14*	**59,271**	56,266
Deposits, prepayments and other receivables		**4,704**	5,502
Pledged bank deposits		**840**	207
Cash and cash equivalents		**5,175**	8,059
		81,244	76,563
Current liabilities			
Trade and retention payables	*13*	**12,342**	10,037
Accruals, other payables and provisions		**3,289**	3,566
Contract liabilities	*14*	**1,933**	–
Current income tax liabilities		**229**	664
Bank and other borrowings	*12*	**39,797**	32,861
Lease liabilities		**798**	657
		58,388	47,785
Net current assets		**22,856**	28,778
Total assets less current liabilities		**59,407**	53,504

	Notes	As at 30 June 2021 S$'000 (Unaudited)	As at 31 December 2020 S$'000 (Audited)
Non-current liabilities			
Deferred income tax liabilities		**112**	12
Bank and other borrowings	*12*	**2,175**	1,418
Lease liabilities		**4,512**	823
Provisions		**623**	539
		7,422	2,792
Net assets		**51,985**	50,712
EQUITY			
Equity attributable to owners of the Company			
Share capital	*15*	**1,915**	1,915
Share premium		**15,475**	15,475
Revaluation reserve		**586**	586
Other reserve		**10,413**	10,413
Exchange reserve		**233**	202
Retained earnings		**21,363**	20,416
		49,985	49,007
Non-controlling interests		**2,000**	1,705
Total equity		**51,985**	50,712

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 Company is an investment holding company. The Company and its subsidiaries (the "**Group**") are principally engaged in carrying out civil engineering projects in Singapore. 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, Ms. Ng Mei Lian, and Mr. Chai Kwee Lim (collectively the "**Controlling Shareholders**").

These unaudited condensed consolidated interim financial statements is presented in Singapore Dollar ("**S$**"). All values are rounded to the nearest thousand except when otherwise indicated.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 is prepared in accordance with International Accounting Standard ("**IAS**") 34, "Interim Financial Reporting" issued by the International Accounting Standards Board and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The unaudited condensed consolidated interim financial statements does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2020.

The accounting policies and methods of computation adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020, except for the application of new or amendments to IFRSs effective as of 1 January 2021. The application of the new or amendments to IFRSs in the current period 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 the unaudited condensed consolidated financial statements.

The Group has not early applied the new or amendments to IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the related impact to the Group of that are relevant to the Group. According to the preliminary assessment made, the directors of the Company do not anticipate any significant impact on the Group's financial position and results of operations.

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, 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.

For the six months ended 30 June 2021, there were 3 customers (six months ended 30 June 2020: 3) which individually contributed to over 10% of the Group's total revenue. During the period, the revenue contributed from those customers are as follows:

	For the six months ended 30 June	
	2021	2020
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
Customer 1	**14,431**	9,293
Customer 2	**12,288**	3,518
Customer 3	**7,023**	3,677

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:

	For the six months ended 30 June	
	2021	2020
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
Revenue from contract works	**40,345**	20,736
Road milling and resurfacing services	**3,294**	1,901
Ancillary support and other services	**329**	363
Sale of goods and milled waste	**477**	188
	44,445	23,188
Revenue recognised:		
Over time	**43,968**	23,000
At point in time	**477**	188
	44,445	23,188

5 OTHER INCOME AND OTHER GAINS, NET

	For the six months ended 30 June	
	2021	2020
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
Other income:		
Rental income from investment property	**12**	12
Rental income from leasehold property	**43**	–
Government grants *(Note (a))*	**881**	1,477
COVID-19 related rent concessions *(Note (b))*	**–**	50
Others	**64**	84
	1,000	1,623
Other gains, net:		
Loss on foreign exchange difference — net	**(1)**	–*
Gain on disposal of property, plant and equipment, net	**43**	10
Loss on write off of property, plant and equipment, net	**–***	–
	42	10
	1,042	1,633

* Less than S$1,000

Notes:

(a) For the six months ended 30 June 2021, government grants mainly included Foreign Worker Levy Rebate and Job Support Scheme ("**JSS**") from the Singapore Government for supporting the development of construction industry. In particular, JSS provided wage support to employers to retain their local employees during COVID-19 pandemic. These incentives are granted in the form of cash payout and there were not unfulfilled conditions or contingencies relating to these grants (six months ended 30 June 2020: Same).

(b) It represented the waiver of lease payments granted by the lessors due to the direct consequence of the COVID-19 for the six months ended 30 June 2020. Certain lessors of leased properties offered two months' rental waiver during the Circuit Breaker period. The Group applied the practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification and accounted for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 Leases if the changes are not a lease modification.

6 OPERATING PROFIT/(LOSS)

Operating profit/(loss) for the period is stated after charging the following:

	For the six months ended 30 June	
	2021	2020
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
Raw material and consumables used *(Note (a))*	**6,108**	2,746
Subcontracting charges *(Note (a))*	**13,901**	6,225
Write down of inventories *(Note (a))*	**–**	3
Auditor's remuneration:		
— Audit services	**92**	74
— Non-audit services *(Note (b))*	**42**	46
Depreciation of property, plant and equipment	**2,689**	2,278
Depreciation of right-of-use assets	**411**	377
Employee benefit expenses, including directors' emoluments	**11,633**	9,450
Expenses relating to short term leases and low value assets	**2**	26
Insurance expenses	**560**	599
Listing expenses	**–**	964
Provision for onerous contract *(Note (c))*	**6**	–

Notes:

(a) Amounts included in cost of sales.

(b) Non-audit services represented the agreed-upon-procedures services provided relating to interim results for the six months ended 30 June 2021 (six months ended 30 June 2020: Same).

(c) The provision represented the estimate of unavoidable costs of fulfilling certain contract work with customer that were in excess of the economic benefits expected to be received under the contract.

7 FINANCE INCOME AND FINANCE COSTS

	For the six months ended 30 June	
	2021	2020
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
Finance income		
Interests from:		
— Bank deposits	**5**	3
— Pledged bank deposits	**–***	1
	5	4
Finance costs		
Interests on:		
— Bank and other borrowings	**465**	463
— Lease liabilities	**41**	38
— Unwinding of discount of reinstatement costs	**10**	10
	516	511

* Less than S$1,000

8 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2021	2020
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
Current tax		
— Current period — Singapore *(Note (d))*	**229**	173
— (Over)/under provision in prior years	**(15)**	21
Deferred tax		
— Current period	**100**	12
— Under provision in prior year	**–**	130
Income tax expense	**314**	336

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 six months ended 30 June 2021 (six months ended 30 June 2020: 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 six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

(d) 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 six months ended 30 June 2021 (six months ended 30 June 2020: 17%).

9 EARNINGS/(LOSS) PER SHARE

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Earnings/(loss):		
Profit/(loss) for the period attributable to the equity holders of the Company (S$'000)	**947**	(4,775)
Number of shares:		
Weighted average number of ordinary shares in issue (in thousand)	**1,064,000**	982,601

Diluted earnings/(loss) per share amount was the same as the basic earnings/(loss) per share as there were no potential ordinary shares outstanding during the six months ended 30 June 2021 (six months ended 30 June 2020: Same).

10 INVESTMENTS IN JOINT VENTURES

	As at 30 June 2021 *S$'000* **(Unaudited)**	As at 31 December 2020 *S$'000* (Audited)
Beginning of the period/year	**4,669**	661
Addition capital investment	**–**	4,400
Share of post-acquisition loss of joint ventures	**(217)**	(392)
End of the period/year	**4,452**	4,669

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 the subsidiaries of the Group. The country of incorporation is also its principal place of business.

Name of entity	**Place of business/country of incorporation**	**% of ownership interest**	
		As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
SWG Alliance Pte. Ltd. ("**SWG**") and its subsidiaries *(Note i)*	Singapore	**40**	40
Futurus Construction Pte. Ltd. *(Note ii)*	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 products, 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.

11 TRADE RECEIVABLES

	As at 30 June 2021 *S$'000* **(Unaudited)**	As at 31 December 2020 *S$'000* (Audited)
Trade receivables		
— Third parties	**10,436**	5,692
— Related parties	**–***	179
	10,436	5,871
Less: Allowance for impairment	**(454)**	(250)
Trade receivable — net	**9,982**	5,621

* Less than S$1,000

The Group's credit terms granted to third-party customers is 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:

	As at 30 June 2021 *S\$'000* **(Unaudited)**	As at 31 December 2020 *S\$'000* (Audited)
Less than 30 days	**6,759**	3,939
31–60 days	**2,847**	1,162
61–90 days	**113**	67
91–120 days	**179**	130
121–365 days	**101**	186
More than 1 year	**437**	387
	10,436	5,871

As at 30 June 2021, included in the Group's trade receivables are debtors with aggregate carrying amount of approximately S$1,480,000 (31 December 2020: S$1,683,000) which are past due as at the reporting date. Out of the past due balances, aggregate carrying amount of approximately S$23,000 (31 December 2020: S$240,000) has been past due over 150 days and is not considered as in default as they have no history of defaulting on repayments. The Group does not hold any collateral over the balances.

12 BANK AND OTHER BORROWINGS

	As at 30 June 2021 *S\$'000* **(Unaudited)**	As at 31 December 2020 *S\$'000* (Audited)
Bank overdrafts	**1,911**	–
Borrowings — secured	**39,963**	34,181
Borrowing from third party — unsecured	**98**	98
	41,972	34,279

As at 30 June 2021, the Group's bank borrowings with carrying amount of approximately S$21,449,000 (31 December 2020: S$26,081,000) were variable-rate borrowings which carried annual interest ranging from 1.42% to 3.10% (31 December 2020: 1.54% to 6.25%) per annum.

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

	As at 30 June 2021 S$'000 (Unaudited)	As at 31 December 2020 S$'000 (Audited)
Within 1 year or on demand	**39,797**	32,861
After 1 year but within 2 years	**1,025**	718
After 2 years but within 5 years	**1,150**	700
	41,972	34,279

As at 30 June 2021, the Group's bank borrowings were secured by the investment property and the properties of the Group, pledged deposits and corporate guarantee by the Company (31 December 2020: investment property and the properties of the Group, pledged deposits and joint and several personal guarantees by the directors of the Company and its subsidiaries and corporate guarantee by the Company).

Borrowing from third party represents loan from a non-controlling interest and was unsecured, interest free and repayable on demand.

The weighted average interest rate was 2.33% as at 30 June 2021 (31 December 2020: 2.43%).

13 TRADE AND RETENTION PAYABLES

The average credit period granted for trade purchase was 30 days.

	As at 30 June 2021 S$'000 (Unaudited)	As at 31 December 2020 S$'000 (Audited)
Trade payables		
— Third parties	**9,375**	7,949
— Related parties	**2,891**	2,088
	12,266	10,037
Retention payable		
— Related party	**76**	–
	12,342	10,037

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

	As at 30 June 2021 *S$'000* **(Unaudited)**	As at 31 December 2020 *S$'000* (Audited)
Less than 30 days	**8,841**	6,209
31–60 days	**1,195**	1,838
61–90 days	**1,018**	587
91–120 days	**176**	500
121–365 days	**970**	854
More than one year	**66**	49
	12,266	10,037

14 CONTRACT ASSETS/(LIABILITIES)

	As at 30 June 2021 *S$'000* **(Unaudited)**	As at 31 December 2020 *S$'000* (Audited)
Contract assets		
— Retention sum for contract works	**464**	693
— Unbilled revenue of contracts *(Note)*	**58,976**	55,697
	59,440	56,390
Less: Allowance for impairment	**(169)**	(124)
	59,271	56,266
Contract liabilities		
— Advances from customers of contracts	**(1,933)**	–

Note: The balance represented 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 within one year in its normal operating cycle.

15 SHARE CAPITAL

	Par value	No. of shares	Share capital
	HK$'		*HK$'000*
Authorised:			
At 31 December 2020	0.01	2,000,000,000	20,000
At 30 June 2021	0.01	2,000,000,000	20,000
	No. of shares	***HK$'000***	***S$'000***
Issued and fully paid:			
At 31 December 2020	1,064,000,000	10,640	1,915
At 30 June 2021	1,064,000,000	10,640	1,915

16 DIVIDEND

The Board does not recommend the payment of an interim dividend for six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

No dividend has been paid or declared by the Company since its incorporation.

17 SUBSEQUENT EVENTS

Saved as disclosed elsewhere in this announcement, subsequent to 30 June 2021, the following subsequent events took place:

On 3 August 2021, Wee Guan Logistics Pte Ltd, a wholly owned dormant subsidiary of the Company which has not been carrying on business nor is in operation, has submitted an application to the Accounting and Corporate Regulatory Authority for its name to be struck off the register pursuant to Section 344A of the Companies Act, Chapter 50.

The striking off application is not expected to have any material impact on the unaudited condensed consolidated net tangible assets and earnings per share of the Group for the six months ended 30 June 2021.

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the above matter.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The civil engineering utilities market in Singapore remained challenging in 2021 with implementation of measures and restrictions post Circuit Breaker (the "**Circuit Breaker**") in phased approaches for Singapore to resume activities safely in the fight against Novel Coronavirus ("**COVID-19**"). According to the Ministry of Trade and Industry Singapore ("**MTI**") announced on 11 August 2021, the Singapore's GDP growth forecast for 2021 to "6.0% to 7.0%", from "4.0% to 6.0%". The Singapore economy expanded by 14.7% on a year-on-year basis in the second quarter of 2021, faster than the 1.5% growth in the previous quarter. The strong growth was largely due to the low base in the same period last year when GDP fell by 13.3% as a result of the Circuit Breaker measures implemented from 7 April 2020 to 1 June 2020, as well as the sharp fall in external demand amidst the COVID-19 pandemic. In absolute terms, GDP remained 0.6% below its pre-pandemic level in the second quarter of 2019.

BUSINESS REVIEW AND PROSPECT

The core business and revenue structure of the Group have remained unchanged for the six months ended 30 June 2021. The Group's operations, other than those of certain joint ventures, are located in Singapore and our 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 and other support services; and (iv) sales of goods and milled waste.

The Group expects operating conditions in the construction sector to remain challenging in 2021. Although the Group has recorded a revenue growth of approximately 91.7% from approximately S$23.2 million for the six months ended 30 June 2020 to approximately S$44.4 million for the six months ended 30 June 2021, and the prospects of construction demand are expected to improve marginally compared to last year, the construction sector is expected to continue to be limited by manpower deployment challenges and higher cost and time resources needed to comply with precautionary restrictive measures such as border entry approval for foreign employees, rostered routine swab testing, staggered rest days, safe accommodation and transportation arrangement. Border control measures implemented in Singapore and overseas also disrupted supply chain for materials and equipment while additional quarantine and movement restrictions on inflow of foreign workers from higher-risk countries gave rise to manpower shortages.

Despite the challenging environment, business strategies of the Group remained unchanged for 2021. The Group will continue to leverage its solid track record and proven expertise to tender for public and private sector projects. The Group continues to prioritise cash conservation and cost control, and will exercise caution when exploring business opportunities during this COVID-19 period.

ONGOING PROJECTS

As at 30 June 2021, the Group had 20 (six months ended 30 June 2020: 26) ongoing projects, including 17 ongoing power cable installation projects, two telecommunication cable installation projects and one ongoing cable installation project with an aggregated contract sum of approximately S$324.7 million, of which approximately S$129.6 million has been recognised as revenue up to 30 June 2021. The remaining balance will be recognised as our revenue in accordance with the respective stage of completion.

FINANCIAL REVIEW

Below is the financial review for the six months ended 30 June 2021 as compared to the six months ended 30 June 2020.

Revenue

The following table sets out the breakdown of the Group's revenue by goods and services types for the six months ended 30 June 2021 and 2020.

	For the six months ended 30 June	
	2021	2020
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
Revenue from contract works		
— Power	**39,270**	20,018
— Telecommunication	**1,075**	718
Subtotal	**40,345**	20,736
Road Milling and resurfacing services	**3,294**	1,901
Ancillary support and other services	**329**	363
Sales of goods and milled waste	**477**	188
Total	**44,445**	23,188

Our revenue increased by approximately S$21.2 million from approximately S$23.2 million for the six months ended 30 June 2020 to approximately S$44.4 million for the six months ended 30 June 2021, representing an increase of approximately 91.7%. This increase was mainly attributable to:

(i) increase in revenue from contract works by approximately S$19.6 million with combined effects of (a) elevated set of safe distancing measures implemented by the Singapore Government from 7 April 2020 to 1 June 2020 where our Group experienced disruption in the corresponding period in 2020 while construction activities with strict measures and restrictions had resumed during the six months ended 30 June 2021; (b) the increase in revenue from power cable installation projects by approximately S$19.3 million was mainly due to substantial progress of projects with revenue recognised for the six months ended 30 June 2021 compared to the six months ended 30 June 2020; and (c) the increase in revenue from telecommunication cable installation projects by approximately S$0.3 million was due to substantial progress of one of the project with revenue recognised for the six months ended 30 June 2021 compared to the six months ended 30 June 2020;

(ii) increase in revenue from road milling and resurfacing services by approximately S$1.4 million due to reason elaborated in (i)(a) above; and

(iii) increase in revenue from sales of goods and milled waste by approximately S$0.3 million.

Cost of sales

Our cost of sales increased by approximately S$16.5 million from approximately S$22.0 million for the six months ended 30 June 2020 to approximately S$38.5 million for the six months ended 30 June 2021, representing an increase of approximately 75.1%, which was mainly attributable to the increase in revenue as discussed above. The less-than-proportionate increase in cost of sales as compared to the revenue growth was mainly because (a) the Group had to pay wages for direct labours during the Circuit Breaker period; and (b) additional costs were incurred for the adoption and implementation of additional safe and controlled restart measures for our employees before resumption of the Group's operating activities during the six months ended 30 June 2020.

Gross profit and gross profit margin

The Group's gross profit increased by approximately S$4.8 million from approximately S$1.2 million for the six months ended 30 June 2020 to approximately S$6.0 million for the six months ended 30 June 2021, while the Group's gross profit margin increased from approximately 5.3% for the six months ended 30 June 2020 to approximately 13.5% for the six months ended 30 June 2021. The increase in gross profit and gross profit margin was mainly due to the increase in revenue of our Group attributable to the reasons elaborated above and the less-than-proportionate increase in cost of sales as discussed above.

Other income and other gains, net

Other income and other gains, net decreased by approximately S$0.6 million from approximately S$1.6 million for the six months ended 30 June 2020 to approximately S$1.0 million for the six months ended 30 June 2021 was mainly attributable to the decrease in grants received on Foreign Worker Levy Rebates and Job Support Scheme from the Singapore Government.

Administrative expenses

Our administrative expenses decreased by approximately S$1.8 million from approximately S$6.3 million for the six months ended 30 June 2020 to approximately S$4.5 million for the six months ended 30 June 2021. Such decrease was mainly attributable to (a) decrease in the one-off listing expenses of approximately S$1.0 million incurred for the six months ended 30 June 2020; and (b) decrease in employee benefit costs by approximately S$0.3 million.

Finance income

The finance income was relatively stable at approximately S$5,000 and S$4,000 for the six months ended 30 June 2021 and 2020, respectively, which mainly represented interest income from bank deposits and fixed deposits.

Finance costs

The finance costs mainly represented interest expense relating to our bank and other borrowings, lease liabilities and unwinding of discount of reinstatement costs. It increased by approximately S$5,000 for the six months ended 30 June 2021 compared to the six months ended 30 June 2020 as a result of the increase in bank and other borrowings from approximately S$34.3 million as at 31 December 2020 to approximately S$42.0 million as at 30 June 2021.

Income tax expense

Income tax expense decreased by approximately S$22,000 for the six months ended 30 June 2021 compared to the six months ended 30 June 2020. This was due to the combine effects of (a) the increase in income tax expense of approximately S$20,000 for the six months ended 30 June 2021, which is in line with the increase in assessable profit; and (b) the decrease of deferred tax of approximately S$42,000.

Profit for the period

As a result of the foregoing, our Group recorded a net profit of approximately S$1.2 million for the six months ended 30 June 2021 as compared to the net loss of approximately S$4.9 million for the six months ended 30 June 2020, representing an increase of approximately S$6.1 million.

LIQUIDITY AND CAPITAL RESOURCES

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 and there has been no change in capital structure of the Group since then.

Our liquidity requirements are primarily attributable to our working capital for our business operations. Our principal sources of liquidity comprises of cash and cash equivalents, cash generated from our operations, net proceeds from the share offer and borrowings.

As at 30 June 2021, the Group maintained a healthy liquidity position with net current asset balance and cash and cash equivalents of approximately S$22.9 million (31 December 2020: S$28.8 million) and approximately S$5.2 million (31 December 2020: S$8.1 million) respectively. The Group's cash and cash equivalents were denominated in Singapore dollars, Hong Kong dollars and United States dollars.

Our 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 we maintain sufficient financial resources to meet our liquidity requirements.

Borrowings

As at 30 June 2021, the Group had total borrowings (including bank and other borrowings and lease liabilities) of approximately S$47.3 million (31 December 2020: S$35.8 million) which were denominated in Singapore dollars. The Group's borrowings have not been hedged by any interest rate financial instruments.

Gearing ratio

Gearing ratio is calculated as total borrowings (including bank and other borrowings and lease liabilities) divided by the total equity as at the reporting dates.

As at 30 June 2021, our gearing ratio was approximately 91.0% (31 December 2020: 70.5%). The increase in our gearing ratio as at 30 June 2021 was mainly due to the additions of bank and other borrowings and lease liabilities at approximately S$11.5 million in relation to an acquisition of the property located at 123 Pioneer Road Singapore 639596 on Lot 2440N of Mukim 7 which was completed on 7 April 2021.

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 and cash equivalents and pledged bank deposits) divided by total capital (i.e. net debts and total equity) as at the reporting dates.

As at 30 June 2021, our net debt to total capital ratio was approximately 44.3% (31 December 2020: 35.2%). The increase in our net debt to total capital ratio was mainly due to the increase in bank and other borrowings and lease liabilities.

Capital expenditures

During the six months ended 30 June 2021, the Group incurred capital expenditures of approximately S$11.7 million (six months ended 30 June 2020: S$1.3 million), primarily due to purchases of property, plant and equipment and motor vehicles.

Contingencies

As at 30 June 2021, our Group had performance bonds for guarantees of completion of projects issued by insurance companies and bank amounting to approximately S$12.7 million (31 December 2020: S$13.9 million).

As at 30 June 2021, our Group also had security bonds made under section 12 of Employment of Foreign Manpower (Work Passes) Regulations amounting to approximately S$1.7 million (31 December 2020: S$1.9 million).

Off-balance sheet arrangements and commitments

Our Directors confirm that as at the date of this results announcement, other than the above contingencies, we did not have any off-balance sheet arrangements or commitments.

Pledge of assets

As at 30 June 2021, the Group's investment property of approximately S$0.4 million (31 December 2020: S$0.4 million), properties of approximately S$17.5 million (31 December 2020: S$8.8 million) and bank deposits of approximately S$0.8 million (31 December 2020: S$0.2 million) were pledged for bank borrowings.

Future plan for material investments and capital assets

Save as disclosed in this announcement and the Company's prospectus dated 25 February 2020 (the "**Prospectus**"), the Group did not have any plans for material investments and capital assets as at the date of this results announcement.

Significant investments, acquisitions and disposals

During the six months ended 30 June 2021, the Group did not have any significant investments, acquisitions or disposals.

Financial instruments

Our major financial instruments include trade receivables, deposits and other receivables excluding prepayments, cash and cash equivalents, pledged bank deposits, bank and other borrowings, lease liabilities, trade and retention payables and other payables excluding non-financial liabilities. Our 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 our 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 portion of listing proceeds from the share offer denominated in Hong Kong dollars amounting to approximately HK$0.6 million as at 30 June 2021 that are exposed to foreign currency risks. 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 POLICIES

As at the 30 June 2021, we had 564 full time employees (31 December 2020: 609) who were directly employed by us and based in Singapore. Total staff costs including Directors' emoluments, salaries, wages and other staff benefits, contributions and retirement schemes for the six months ended 30 June 2021 amounted to approximately S$11.6 million (six months ended 30 June 2020: S$9.5 million).

We offer remuneration package to our employees which includes salary, bonuses and allowance. Generally, we consider employees' salaries based on each of their qualifications, position and seniority. Our Company has an annual review system to appraise the performance of our employees, which constitutes the grounds of our decision as 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 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. From the date of adoption of the share option scheme and up to 30 June 2021, no share options have been granted under the scheme.

EVENTS AFTER THE REPORTING PERIOD

On 3 August 2021, Wee Guan Logistics Pte Ltd, a wholly owned dormant subsidiary of the Company which has not been carrying on business nor is in operation, has submitted an application to the Accounting and Corporate Regulatory Authority for its name to be struck off the register pursuant to Section 344A of the Companies Act, Chapter 50.

The striking off application is not expected to have any material impact on the unaudited condensed consolidated net tangible assets and earnings per share of the Group for the six months ended 30 June 2021.

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the above matter.

USE OF PROCEEDS FROM SHARE OFFER

The net proceeds from the share offer were approximately HK$71.0 million (equivalent to approximately S$12.8 million) after deducting underwriting commissions and all related expenses. An analysis of the utilisation of the net proceeds from the share offer from the date of listing to 30 June 2021 is set out below:

	Net proceeds from share offer	**Actual use of net proceeds from the date of listing to 30 June 2021**	**Unutilised balance as at 30 June 2021**
	S$'000	*S$'000*	*S$'000*
Strengthening our financial position	10,082	10,082	–
Recruitment of staff	2,712	2,074	638
Total	12,794	12,156	638

During the six months ended 30 June 2021, all use of proceeds were in accordance with the intentions previously disclosed in the Prospectus and the remaining net proceeds are expected to be used as planned. As at 30 June 2021, all of the unused proceeds were deposited in the licensed banks in Singapore and Hong Kong.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

CORPORATE GOVERNANCE

During the six months ended 30 June 2021, the Company complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 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 the Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions (the "**Securities Dealing Code**"). Specific enquiry has been made with all the Directors and all of them confirmed that they have complied with the Model Code and the Securities Dealing Code during the six months ended 30 June 2021. 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 Directors' dealings in securities.

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 during the six months ended 30 June 2021.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's unaudited interim results for the six months ended 30 June 2021 and the accounting principles and practices adopted by the Group and discussed risk management, internal control and financing reporting matters with management including a review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 with no disagreement by the audit committee of the Company.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This 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 interim report of the Company for the six months ended 30 June 2021 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, 25 August 2021

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Ng Tian Soo and Mr. Ng Tian Fah; 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.