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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2022 together with comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months period ended 30 June	
	<i>Note</i>	2022	2021
		S\$’000	S\$’000
		(Unaudited)	(Unaudited)
Revenue	4	52,471	44,445
Cost of sales		(45,567)	(38,464)
Gross profit		6,904	5,981
Other income and other gains, net	5	1,222	1,042
Administrative expenses		(5,216)	(4,490)
Reversal/(allowance) for impairment of trade receivables and contract assets		47	(249)
Operating profit	6	2,957	2,284
Finance income	7	7	5
Finance costs	7	(525)	(516)
Share of loss of joint ventures, net of tax		(301)	(217)

		For the six months period ended 30 June	
		2022	2021
	<i>Note</i>	S\$'000	<i>S\$'000</i>
		(Unaudited)	(Unaudited)
Profit before income tax		2,138	1,556
Income tax expense	8	<u>(659)</u>	<u>(314)</u>
Profit for the period		<u>1,479</u>	<u>1,242</u>
Profit for the period attributable to:			
Equity holders of the Company		1,220	947
Non-controlling interests		<u>259</u>	<u>295</u>
		<u>1,479</u>	<u>1,242</u>
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences		16	31
Share of other comprehensive income of a joint venture		<u>74</u>	<u>–</u>
Other comprehensive income for the period, net of tax		<u>90</u>	<u>31</u>
Total comprehensive income for the period attributable to:			
Equity holders of the Company		1,310	978
Non-controlling interests		<u>259</u>	<u>295</u>
		<u>1,569</u>	<u>1,273</u>
Earnings per share (expressed in Singapore cents per share)			
Basic and diluted	9	<u>0.11</u>	<u>0.09</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2022 <i>S\$'000</i> (Unaudited)	As at 31 December 2021 <i>S\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
		22,587	23,596
Property, plant and equipment			
Right-of-use assets		3,696	4,058
Investment properties		1,985	1,985
Investments in joint ventures	<i>10</i>	3,857	4,084
Other financial assets		87	87
Deferred income tax assets		61	171
		32,273	33,981
Current assets			
Inventories		1,403	1,395
Trade receivables	<i>11</i>	7,087	4,855
Contract assets	<i>14</i>	70,876	58,477
Deposits, prepayments and other receivables		3,305	3,102
Pledged bank deposits		400	556
Cash at bank and on hand		7,581	15,069
		90,652	83,454
Current liabilities			
Trade and retention payables	<i>13</i>	15,175	13,126
Accruals, other payables and provisions		5,142	4,787
Contract liabilities	<i>14</i>	1,665	1,559
Current income tax liabilities		884	568
Bank borrowings	<i>12</i>	38,968	37,396
Lease liabilities		611	676
		62,445	58,112
Net current assets		28,207	25,342
Total assets less current liabilities		60,480	59,323

		As at 30 June 2022 S\$'000 (Unaudited)	As at 31 December 2021 S\$'000 (Audited)
Non-current liabilities			
Deferred income tax liabilities		125	175
Bank borrowings	12	1,892	2,063
Lease liabilities		3,193	3,469
Provisions		791	706
		<u>6,001</u>	<u>6,413</u>
Net assets		<u><u>54,479</u></u>	<u><u>52,910</u></u>
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		357	267
Retained earnings		23,183	21,963
		<u>51,929</u>	<u>50,619</u>
Non-controlling interest		<u>2,550</u>	<u>2,291</u>
Total equity		<u><u>54,479</u></u>	<u><u>52,910</u></u>

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 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 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 2022 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 2021.

The accounting policies and methods of computation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s consolidated interim financial statements for the year ended 31 December 2021, except for the application of new and amendments to IFRSs effective as of 1 January 2022. The application of the new and 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 interim financial statements.

The Group has not early applied the new and 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 2022, there were 2 customers (six months ended 30 June 2021: 3) which individually contributed to over 10% of the Group’s total revenue. Revenue generated from these customers for the six months ended 30 June 2022 and 2021 are summarised below:

	For the six months ended 30 June	
	2022	2021
	S\$’000	S\$’000
	(Unaudited)	(Unaudited)
Customer 1	29,269	14,431
Customer 2	8,396	12,288
Customer 3	3,185	7,023

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	
	2022 S\$'000 (Unaudited)	2021 S\$'000 (Unaudited)
Revenue from contract works	47,520	40,345
Road milling and resurfacing services	3,151	3,294
Ancillary support and other services	1,080	329
Sale of goods and milled waste	720	477
	<u>52,471</u>	<u>44,445</u>
Revenue recognised:		
Over time	51,751	43,968
At point in time	720	477
	<u>52,471</u>	<u>44,445</u>

5 OTHER INCOME AND OTHER GAINS, NET

	For the six months ended 30 June	
	2022 S\$'000 (Unaudited)	2021 S\$'000 (Unaudited)
Other income:		
Rental income from investment property	33	12
Rental income from a property (<i>Note (a)</i>)	164	43
Government grants (<i>Note (b)</i>)	812	881
Others	106	64
	<u>1,115</u>	<u>1,000</u>
Other gains, net:		
Loss on foreign exchange difference — net	—*	(1)
Gain on disposal of property, plant and equipment, net	116	43
Loss on write off of property, plant and equipment, net	(9)	—*
	<u>107</u>	<u>42</u>
	<u>1,222</u>	<u>1,042</u>

* Less than S\$1,000

Notes:

- (a) The property comprises a portion that is 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 is classified as properties, plant and equipment.
- (b) For the six months ended 30 June 2022, government grants mainly included Foreign Worker Levy Rebate of approximately S\$553,000 (six months ended 30 June 2021: S\$273,000) from the Singapore Government for supporting the development of construction industry and will cease after June 2022. 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 2021: Same).

6 OPERATING PROFIT

Operating profit for the period is stated after charging the following:

	For the six months ended 30 June	
	2022	2021
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Raw material and consumables used (<i>Note (a)</i>)	6,230	6,108
Subcontracting charges (<i>Note (a)</i>)	19,629	13,901
Site expense (<i>Note (a)</i>)	1,492	1,919
Auditor's remuneration:		
— Audit services	102	92
— Non-audit services (<i>Note (b)</i>)	—	42
Depreciation of property, plant and equipment	2,690	2,689
Depreciation of right-of-use assets	362	411
Employee benefit expenses, including directors' emoluments	13,573	11,633
Insurance expenses	543	560
Expenses relating to short term leases and low value assets	38	2
(Reversal)/provision for onerous contract	(310)	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.

7 FINANCE INCOME AND FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Finance income		
Interests from:		
— Bank deposits	7	5
— Pledged bank deposits	—*	—*
	<u>7</u>	<u>5</u>
	<u><u>7</u></u>	<u><u>5</u></u>
Finance costs		
Interests on:		
— Bank borrowings	435	465
— Lease liabilities	79	41
— Unwinding of discount of reinstatement costs	11	10
	<u>525</u>	<u>516</u>
	<u><u>525</u></u>	<u><u>516</u></u>

* Less than S\$1,000

8 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2022	2021
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Current tax		
— Current period — Singapore (<i>Note (d)</i>)	600	229
— Over provision in prior years	—	(15)
Deferred tax		
— Current period	59	100
	<u>659</u>	<u>314</u>
Income tax expense	<u><u>659</u></u>	<u><u>314</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 six months ended 30 June 2022 (six months ended 30 June 2021: 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 2022 (six months ended 30 June 2021: 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 2022 (six months ended 30 June 2021: 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 period.

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to the equity holders of the Company (<i>S\$'000</i>)	<u><u>1,220</u></u>	<u><u>947</u></u>
Number of shares:		
Weighted average number of ordinary shares (<i>in thousand</i>)	<u><u>1,064,000</u></u>	<u><u>1,064,000</u></u>

For the six months ended 30 June 2022, 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 period (six months ended 30 June 2021: Same).

10 INVESTMENTS IN JOINT VENTURES

	As at 30 June 2022 S\$'000 (Unaudited)	As at 31 December 2021 S\$'000 (Audited)
Beginning of the period/year	4,084	4,669
Share of loss for the period/year, net of tax	(301)	(616)
Share of other comprehensive income for the period/year, net of tax	74	31
End of the period/year	<u>3,857</u>	<u>4,084</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 a subsidiary 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 2022 (Unaudited)	As at 31 December 2021 (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 engage in the business of distribution and leasing of machinery and equipment relating to the civil engineering industry.

11 TRADE RECEIVABLES

	As at 30 June 2022 S\$'000 (Unaudited)	As at 31 December 2021 S\$'000 (Audited)
Trade receivables		
— Third parties	7,573	5,166
Less: Allowance for impairment of trade receivables	<u>(486)</u>	<u>(311)</u>
Trade receivable — net	<u><u>7,087</u></u>	<u><u>4,855</u></u>

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 2022 S\$'000 (Unaudited)	As at 31 December 2021 S\$'000 (Audited)
Less than 30 days	6,104	3,107
31–60 days	564	758
61–90 days	211	806
91–120 days	42	44
121–365 days	392	196
More than 1 year	<u>260</u>	<u>255</u>
	<u><u>7,573</u></u>	<u><u>5,166</u></u>

12 BANK BORROWINGS

	As at 30 June 2022 S\$'000 (Unaudited)	As at 31 December 2021 S\$'000 (Audited)
Bank overdrafts	1,097	1,610
Borrowings — secured	<u>39,763</u>	<u>37,849</u>
	<u><u>40,860</u></u>	<u><u>39,459</u></u>

As at 30 June 2022, the Group's bank borrowings with carrying amount of approximately S\$24,405,000 (31 December 2021: S\$20,493,000) were variable-rate borrowings which carried annual interest ranging from 1.44% to 4.35% (31 December 2021: 1.42% to 3.10%) per annum.

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

	As at 30 June 2022 S\$'000 (Unaudited)	As at 31 December 2021 S\$'000 (Audited)
Within 1 year or on demand	38,968	37,396
After 1 year but within 2 years	991	1,055
After 2 years but within 5 years	901	1,008
	<u>40,860</u>	<u>39,459</u>

As at 30 June 2022, the Group's bank borrowings were secured by the investment property, self-occupied properties, pledged deposits and corporate guarantee by the Company (31 December 2021: Same).

The weighted average interest rate was 1.85% as at 30 June 2022 (31 December 2021: 2.29%).

13 TRADE AND RETENTION PAYABLES

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

	As at 30 June 2022 S\$'000 (Unaudited)	As at 31 December 2021 S\$'000 (Audited)
Trade payables		
— Third parties	14,933	13,081
— Related parties	11	30
	<u>14,944</u>	<u>13,111</u>
Trade payable — net		
Retention payable		
— Third parties	231	15
	<u>15,175</u>	<u>13,126</u>

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 2022 S\$'000 (Unaudited)	As at 31 December 2021 S\$'000 (Audited)
Less than 30 days	11,311	10,755
31–60 days	1,879	768
61–90 days	715	520
91–120 days	226	399
121–365 days	776	635
More than one year	37	34
	14,944	13,111

14 CONTRACT ASSETS/(LIABILITIES)

	As at 30 June 2022 S\$'000 (Unaudited)	As at 31 December 2021 S\$'000 (Audited)
Retention sum for contract works	969	875
Unbilled revenue of contracts	70,506	58,423
	71,475	59,298
Less: Allowance for impairment	(599)	(821)
Contract assets	70,876	58,477
Contract liabilities	(1,665)	(1,559)
Retention held by customers expected to be settled:		
To be recovered within 12 months	969	875

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 condensed 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 31 December 2021 (Audited)	0.01	<u>2,000,000,000</u>	<u>20,000</u>
At 30 June 2022 (Unaudited)	0.01	<u><u>2,000,000,000</u></u>	<u><u>20,000</u></u>
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>S\$'000</i>
Issued and fully paid:			
At 31 December 2021 (Audited)	<u>1,064,000,000</u>	<u>10,640</u>	<u>1,915</u>
At 30 June 2022 (Unaudited)	<u><u>1,064,000,000</u></u>	<u><u>10,640</u></u>	<u><u>1,915</u></u>

16 DIVIDEND

The Board does not recommend the payment of an interim dividend for six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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

17 SUBSEQUENT EVENTS

There are no significant events affecting the Company and its subsidiaries which have occurred after the six months ended 30 June 2022 and up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The civil engineering utilities market in Singapore is expected to improve marginally for 2022 and compared to 2021. According to the Ministry of Trade and Industry Singapore (“MTI”) announced on 11 August 2022, the construction sector grew by 3.3% year-on-year in the second quarter of 2022, extending the 2.4% expansion in the previous quarter. Construction activity picked up during the quarter, supported in part by the relaxation of border restrictions on the inflow of migrant workers. However, the performance of the construction sector in 2022 is expected to remain below its pre-pandemic level due to continued labour shortages as the inflow of migrant workers would take time to recover.

BUSINESS REVIEW AND PROSPECT

The core business and revenue structure of the Group have remained unchanged for the six months ended 30 June 2022. 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. Although the prospects of construction demand are expected to improve marginally compared to last year, there is still a severe shortage of manpower and the recent spike in COVID-19 cases in the local community. Supply chains are disrupted due to huge backlogs in shipping ports around the world. Construction material prices are also on an upward trajectory and prices for raw materials have risen substantially since the onset of the pandemic. 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 adversely affected the operations of the Group in Singapore.

Business strategies of the Group remained unchanged for the six months ended 30 June 2022. Looking ahead, the Group will (i) closely monitor the development of 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 during this period.

ONGOING PROJECTS

As at 30 June 2022, the Group had 38 ongoing projects, including 36 ongoing power cable installation projects and two telecommunication cable installation projects with an aggregated contract sum of approximately S\$284.1 million, of which approximately S\$138.5 million has been recognised as revenue up to 30 June 2022 (31 December 2021: 34 ongoing projects, including 28 ongoing power cable installation projects, four telecommunication cable installation projects and two ongoing cable installation projects with an aggregated contract sum of approximately S\$335.2 million). The remaining balance will be recognised as Group's revenue in subsequent periods in accordance with the stage of completion.

FINANCIAL REVIEW

Below is the financial review for the six months ended 30 June 2022 compared to six months ended 30 June 2021.

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 2022 and 2021.

	For the six months ended 30 June	
	2022	2021
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Revenue from contract works		
— Power	44,719	39,270
— Telecommunication	2,801	1,075
Subtotal	47,520	40,345
Road milling and resurfacing services	3,151	3,294
Ancillary support and other services	1,080	329
Sales of goods and milled waste	720	477
Total	52,471	44,445

Our revenue increased by approximately S\$8.2 million from approximately S\$44.4 million for the six months ended 30 June 2021 to approximately S\$52.5 million for the six months ended 30 June 2022, representing an increase of approximately 18.5%. This increase was mainly attributable to:

- (i) increase in revenue from contract works by approximately S\$7.2 million with combined effects of (a) construction work has gradually recovered from the impact of COVID-19; (b) the increase in revenue from power cable installation projects by approximately S\$5.5 million was mainly due to substantial progress of projects with revenue recognised for the six months ended 30 June 2022 compared to 30 June 2021; and (c) the increase in revenue from telecommunication cable installation projects by approximately S\$1.7 million was due to substantial progress of two of the projects with revenue recognised for the six months ended 30 June 2022 compared to 30 June 2021;
- (ii) slight increase in revenue from road milling and resurfacing services by approximately S\$0.1 million;
- (iii) increase in revenue from ancillary support and other services by approximately S\$0.7 million due to increased revenue from leasing of vehicles; and
- (iv) slight increase in revenue from sales of goods and milled waste by approximately S\$0.2 million.

Cost of sales

Our costs of sales increased by approximately S\$7.1 million from approximately S\$38.5 million for the six months ended 30 June 2021 to approximately S\$45.6 million for the six months ended 30 June 2022, representing an increase of approximately 18.5%, primarily as a result of the increase in cost of sales was in line with the increase in revenue as discussed above and increase in subcontracting charges incurred for certain projects undertaken during the period.

Gross profit and gross profit margin

The Group's gross profit increased by approximately S\$0.9 million from approximately S\$6.0 million for the six months ended 30 June 2021 to approximately S\$6.9 million for the six months ended 30 June 2022, while the Group's gross profit margin remained relatively stable at approximately 13.5% for the six months ended 30 June 2021 and approximately 13.2% for the six months ended 30 June 2022. The increase in gross profit was mainly due to the increase in revenue of our Group attributable to reasons elaborated above.

Other income and other gains, net

Other income and other gains, net increased by approximately S\$0.2 million from approximately S\$1.0 million for the six months ended 30 June 2021 to approximately S\$1.2 million for the six months ended 30 June 2022 was mainly attributable to the rental income from a property of approximately S\$0.1 million.

Administrative expenses

Our administrative expenses increased by approximately S\$0.7 million from approximately S\$4.5 million for the six months ended 30 June 2021 to approximately S\$5.2 million for the six months ended 30 June 2022. Such increase was mainly attributable to the increase in employee benefit costs by approximately S\$1.0 million.

Reversal/(allowance) for impairment of trade receivables and contract assets

An allowance for impairment of trade receivables and contract assets decreased by approximately S\$0.3 million from approximately S\$0.2 million for the six months ended 30 June 2021 to reversal of impairment of trade receivables and contract assets at approximately S\$47,000 for the six months ended 30 June 2022. Such decrease was mainly attributable to (i) reversal of allowance for expected credit loss of contract assets by approximately S\$0.2 million for the six months ended 30 June 2022; and (ii) increase in allowance for impairment of trade receivables by approximately S\$0.1 million in relation to increase in trade receivable that were aged over 150 days for six months ended 30 June 2022.

Finance income

The finance income was relatively stable at approximately S\$7,000 and S\$5,000 for the six months ended 30 June 2022 and 2021, respectively, which mainly represented interest income from bank deposits and fixed deposits.

Finance costs

The finance costs mainly represented interest expense relating to bank borrowings, lease liabilities and unwinding of discount of reinstatement costs. Finance costs for the six months ended 30 June 2022 was approximately S\$525,000 which relatively constant with that of the six months ended 30 June 2021 of approximately S\$516,000.

Income tax expense

Income tax expense increased by approximately S\$0.3 million for the six months ended 30 June 2022 compared to six months ended 30 June 2021. Such increase was mainly due to the increase in assessable profit.

Profit for the period

As a result of the foregoing, our Group recorded a net profit of approximately S\$1.5 million for the six months ended 30 June 2022 as compared to the net profit of approximately S\$1.2 million for the six months ended 30 June 2021, representing an increase of approximately S\$0.3 million.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The shares of the Company were successfully listed on 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 generated from our business operations, equity contribution from the shareholders and borrowings. As at 30 June 2022, 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 30 June 2022, the Group maintained a healthy liquidity position with net current asset balance and cash at bank and on hand of approximately S\$28.2 million (31 December 2021: S\$25.3 million) and approximately S\$7.6 million (31 December 2021: S\$15.1 million) respectively. The Group’s cash and cash equivalents were denominated in Singapore dollars and Hong Kong 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 at all times.

Borrowings

As at 30 June 2022, the Group had total borrowings (including bank borrowings and lease liabilities) of approximately S\$44.7 million (31 December 2021: S\$43.6 million) which were denominated in Singapore dollars. 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 the condensed consolidated interim financial statements.

Gearing ratio

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

As at 30 June 2022, our gearing ratio was approximately 82.0% (31 December 2021: 82.4%). The decrease in our gearing ratio as at 30 June 2022 was mainly due to the increase in equity.

Net debt to total capital ratio

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

As at 30 June 2022, our net debt to total capital ratio was approximately 40.2% (31 December 2021: 34.6%). The increase in our net debt to total capital ratio was mainly due to the decrease in cash at bank and on hand and pledged bank deposits.

Pledge of assets

As at 30 June 2022, the Group's investment properties of approximately S\$2.0 million (31 December 2021: S\$2.0 million), self-occupies properties of approximately S\$14.7 million (31 December 2021: S\$15.4 million) and bank deposits of approximately S\$0.4 million (31 December 2021: S\$0.6 million) were pledged for bank borrowings.

CAPITAL EXPENDITURES AND COMMITMENTS

During the six months ended 30 June 2022, the Group incurred capital expenditures of approximately S\$1.7 million (six months ended 30 June 2021: S\$11.7 million), primarily due to purchases of property, plant and equipment and motor vehicles.

As at 30 June 2022, our Group had capital expenditure contracted for as end of the reporting period but not recognised in the unaudited condensed consolidated interim financial statements in respect of purchases of property, plant and equipment and motor vehicles of approximately S\$0.5 million (31 December 2021: S\$0.3 million).

CONTINGENCIES

As at 30 June 2022, our Group had performance bonds of guarantees of completion of projects issued by insurance companies and bank amounting to approximately S\$13.2 million (31 December 2021: S\$12.9 million).

As at 30 June 2022, our Group had security bonds made under section 12 of Employment of Foreign Manpower (Work Passes) Regulations amounting to approximately S\$1.7 million (31 December 2021: S\$1.7 million).

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

SIGNIFICANT INVESTMENTS, MATERIALS ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES COMPANIES OR JOINT VENTURES

During the six months ended 30 June 2022, the Group did not have any significant investments held, material acquisitions or disposals of subsidiaries and associated companies or joint ventures.

Financial instruments

Our major financial instruments include trade receivables, deposits and other receivables excluding prepayments, cash at bank and on hand, pledged bank deposits, bank 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 costs 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\$12,000 as at 30 June 2022 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 30 June 2022, we had 595 full time employees (31 December 2021: 587) 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 2022 amounted to approximately S\$13.6 million (six months ended 30 June 2021: S\$11.6 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.

RETIREMENT BENEFIT COSTS

Payments made to Central Provident Fund ("CPF") are recognised as expense when employees have rendered service entitling them to the contributions.

During the six months ended 30 June 2022, there were no contribution forfeited by the Group on behalf of its employees who left the plan prior to vesting fully in such contribution, nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 30 June 2022, no forfeited contributions were available for utilisation by the Group to reduce the existing level of contributions.

EVENT AFTER REPORTING PERIOD

There are no significant events affecting the Company and its subsidiaries which have occurred after the six months ended 30 June 2022 and up to the date of this announcement.

CORPORATE GOVERNANCE

During the six months ended 30 June 2022, the Company complied with the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained 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 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 2022. 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.

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 2022.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group’s unaudited interim results for the six months ended 30 June 2022 and the accounting principles and practices adopted by the Group and discussed risk management, internal control and financing reporting matters with the management of the Company including a review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 with no disagreement by the audit committee of the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim 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 2022 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, 24 August 2022

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.