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 2019

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 12 March 2020 following completion of the Share Offering of 266,000,000 new Shares issued by the Company. The amount of net proceeds from the Share Offering is approximately HK$75.0 million.

The board (the "**Board**") of directors (the "**Directors**") of Wei Yuan Holdings Limited (the "**Company**") is pleased to announce the audited combined results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019 together with comparative figures for the corresponding period in 2018 as follows:

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2019	2018
	S$'000	*S$'000*
Revenue	**65,985**	64,730
Gross Profit	**19,734**	18,014
Operating Profit	**9,897**	12,020
Net Profit for the year	**6,724**	9,211
Adjusted Net Profit *(Note 1&2)*	**10,256**	9,211
Gross Profit Margin	**29.9%**	27.8%
Net Profit Margin	**10.2%**	14.2%
Adjusted Net Profit Margin *(Note 1&2)*	**15.5%**	14.2%

Notes:

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

(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.

(3) Unless otherwise defined, capitalised terms used herein shall bear the same meanings as defined in our prospectus dated 25 February 2020 (the "**Prospectus**").

COMBINED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2019	2018
	Note	***S$'000***	*S$'000*
Revenue	*4*	**65,985**	64,730
Cost of sales	*6*	**(46,251)**	(46,716)
Gross profit		**19,734**	18,014
Other income and other gains, net	*5*	**785**	380
Administrative expenses	*6*	**(10,577)**	(6,477)
(Allowance for)/reversal of impairment of receivables		**(45)**	103
Operating profit		**9,897**	12,020
Finance income	*7*	**13**	1
Finance costs	*7*	**(766)**	(662)
Share of loss of joint ventures, net of tax		**(325)**	(201)
Profit before income tax		**8,819**	11,158
Income tax expense	*8*	**(2,095)**	(1,947)
Profit and total comprehensive income for the year		**6,724**	9,211
Profit/(loss) and total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**6,769**	8,990
Non-controlling interests		**(45)**	221
		6,724	9,211
Earnings per share attributable to owners of the Company for the year (expressed in S$ per share)			
Basic and diluted	*9*	**N/A**	N/A

COMBINED BALANCE SHEET

	Note	As at 31 December **2019** *S$'000*	2018 *S$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**17,352**	18,588
Right-of-use assets		**1,749**	1,283
Investment properties		**1,910**	1,960
Investments in joint ventures		**661**	986
Other investment		**86**	85
Deferred income tax assets		**206**	261
		21,964	23,163
Current assets			
Inventories		**785**	1,088
Contract assets	*13*	**41,052**	17,730
Trade and retention receivables	*10*	**7,724**	8,958
Deposits, prepayments and other receivables		**5,763**	3,066
Pledged bank deposits		**1,044**	–
Cash and cash equivalents		**3,389**	4,353
		59,757	35,195
Total assets		**81,721**	58,358
EQUITY			
Equity attributable to owners of the Company			
Combined capital		**5,850**	5,850
Retained earnings		**24,240**	18,671
Revaluation reserve		**586**	586
Other reserves		**4,563**	4,563
		35,239	29,670
Non-controlling interests		**1,657**	1,702
Total equity		**36,896**	31,372

		As at 31 December	
		2019	2018
	Note	***S$'000***	*S$'000*
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	*11*	**2,642**	2,367
Lease liabilities		**1,143**	901
Provisions		**337**	318
		4,122	3,586
Current liabilities			
Trade payables	*12*	**10,075**	7,267
Accruals, other payables and provisions		**5,036**	3,823
Contract liabilities	*13*	**7**	13
Current income tax liabilities		**2,017**	1,663
Bank and other borrowings	*11*	**22,918**	10,222
Lease liabilities		**650**	412
		40,703	23,400
Total liabilities		**44,825**	26,986
Total equity and liabilities		**81,721**	58,358

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

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. Pursuant to a reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the other companies comprising the Group.

The Company and its subsidiaries ("the Group") are principally engaged in carrying out civil engineering projects in Singapore (the "Listing Business"). The ultimate holding company of the Company is WG International (BVI) Limited ("WGI BVI"), a company incorporated in the British Virgin Islands and the ultimate controlling parties of the Group are Mr. Ng Tian Soo ("NTS"), Mr. Ng Tian Kew ("NTK"), Mr. Ng Tian Fah ("NTF"), Ms. Ng Mei Lian ("NML"), and Mr. Chai Kwee Lim ("CKL") (collectively the "Controlling Shareholders").

The Reorganisation was completed on 12 February 2020 and the Company's shares have been listed on the Stock Exchange since 12 March 2020.

These combined financial statements are presented in Singapore Dollar ("S$") unless otherwise stated.

As at date of this announcement, the Company has direct or indirect interests in the following subsidiaries:

Name	Place and date of incorporation	Principal activities	Type of legal status	Issued and paid up/registered capital	Effective interests held as at: 31 December 2019	2018	Date of this announcement
Directly held							
WG (BVI) Limited ("WG BVI")	British Virgin Islands (BVI), 27 May 2019	Investment holding	Limited liability company	US$300	**100%**	–	100%
Indirectly held							
Wee Guan Corporation Pte Ltd ("WG Corp")	Singapore, 8 August 2018	Investment holding	Limited liability company	S$100 and US$100	**100%**	100%	100%
Wee Guan Construction Pte Ltd ("WGC")	Singapore, 14 February 1991	General construction of other civil engineering projects	Limited liability company	S$3,000,000	**100%**	100%	100%
Road Builders Singapore Pte. Ltd. ("RBS")	Singapore, 21 February 2014	Construction of other civil engineering projects and road construction	Limited liability company	S$500,000	**55%**	55%	55%
Hydrojack Engineering Pte. Ltd. ("HDJ")	Singapore, 6 February 2018	Construction of other civil engineering projects and water, gas pipe-line and sewer construction	Limited liability company	S$500,000	**51%**	51%	51%

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (Continued)

1.1 General information (Continued)

Name	Place and date of incorporation	Principal activities	Type of legal status	Issued and paid up/registered capital	Effective interests held as at: 31 December 2019	2018	Date of this announcement
Indirectly held (Continued)							
Wee Guan Engineering Pte Ltd ("WGE")	Singapore, 26 August 1998	Leasing of vehicles and construction of other civil engineering projects	Limited liability company	S$1,600,000	**100%**	100%	100%
Wee Guan Logistics Pte. Ltd. ("WGL")	Singapore, 11 November 2003	Leasing of vehicles and equipment and transportation of goods	Limited liability company	S$100,000	**100%**	100%	100%
Weng Guan Technology Pte Ltd ("WGT")	Singapore, 4 March 1992	Civil engineering and road-works construction	Limited liability company	S$750,000	**100%**	100%	100%
Geecomms Pte. Ltd. ("GCM")	Singapore, 27 May 2014	Electrical and telecommunications wiring installation works and construction of other civil engineering projects	Limited liability company	S$500,000	**100%**	100%	100%

1.2 Basis of presentation

Immediately prior to and after the Reorganisation, all of the Company's subsidiaries that are engaged in the Listing Business are owned by the Controlling Shareholders. Pursuant to the Reorganisation, these companies are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. The Group resulting from the Reorganisation is regarded as a continuation of the Listing Business, and accordingly, this combined financial statements has been prepared and presented with the assets and liabilities of the Group recognised and measured at the carrying amounts in the financial statements of the group companies for all periods presented.

The net assets of the combining companies were combined using the existing book values from the Controlling Shareholders' perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control.

Intra-group transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) ("HKCO") and has been prepared under the historical cost convention, as modified by the revaluation of investment properties, which is carried at fair value.

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

In preparing the combined financial statements, all applicable IFRSs which are effective in 2019, including IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases', are consistently applied by the Group throughout the two years ended 31 December 2019 and 2018.

The following are new standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning after 1 January 2020, but have not been early adopted by the Group.

		Effective for annual periods beginning on or after
IFRS 3 (Amendments)	Definition of a Business	1 January 2020
IFRS 1 and IAS 8 (Amendments)	Definition of Material	1 January 2020
IFRS 17	Insurance Contracts	1 January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associates and Joint Ventures	To be determined
Conceptual Framework for 2018 Financial Reporting		1 January 2021

The Group will apply those amendments on or after the beginning of the annual reporting period in which the Group first applies those amendments.

The Group has already commenced an assessment of the related impact to the Group of the above standards and 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 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 as one 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.

During the year ended 31 December 2019, there were 3 customers (2018: 4) which individually contributed to over 10% of the Group's total revenue. Revenue generated from these customers during the year ended 31 December 2019 is summarised below:

	2019	2018
	S$'000	*S$'000*
Customer 1	**19,709**	9,999
Customer 2	**8,294**	N/A
Customer 3	**12,201**	N/A
Customer 4	**N/A**	7,961
Customer 5	**N/A**	18,665
Customer 6	**N/A**	7,560

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:

	2019	2018
	S$'000	*S$'000*
Revenue from contract works	**58,098**	55,853
Road milling and resurfacing services	**6,264**	6,928
Ancillary support and other services	**984**	980
Sale of goods and milled waste	**639**	969
	65,985	64,730
Revenue recognised:		
Over time	**65,346**	63,761
At point in time	**639**	969
	65,985	64,730

5 OTHER INCOME AND OTHER GAINS, NET

	2019	2018
	S$'000	*S$'000*
Other income:		
Rental income from investment properties	**24**	26
Interest income from a third party	**–**	12
Government grants	**235**	216
Others	**145**	68
	404	322
Other gains, net:		
(Loss)/gain on foreign exchange difference — net	**(24)**	6
Gain on disposal of property, plant and equipment, net *(Note (i))*	**454**	82
Fair value loss on investment properties	**(50)**	(10)
Changes in cash surrender value of key management insurance contracts	**1**	(20)
	381	58
	785	380

(i) During the year ended 31 December 2019, the Group disposed of certain property, plant and equipment to a related company at consideration of S$473,000 and recognised gain on disposal of approximately S$387,000.

6 EXPENSES BY NATURE

The following items have been charged to the operating profit during the year:

	2019	2018
	S$'000	*S$'000*
Raw material and consumables used	**8,046**	8,391
Subcontracting charges	**10,848**	12,529
Auditor's remuneration:		
— Audit services	**230**	152
Depreciation	**5,159**	4,724
Employee benefit expenses, including directors' emoluments	**19,666**	19,804
Expenses relating to short term leases and low value assets	**62**	101
Write down of inventories	**–**	7
Listing expenses	**3,532**	–

7 FINANCE INCOME AND FINANCE COSTS

	2019	2018
	S$'000	*S$'000*
Finance income		
Interests from:		
— Bank deposits	**1**	1
— Pledged bank deposits	**12**	–
	13	1
Finance costs		
Interests on:		
— Bank and other borrowings	**671**	589
— Lease liabilities	**76**	55
— Unwinding of discount of reinstatement costs	**19**	18
	766	662

8 INCOME TAX EXPENSES

Income tax had been provided at the applicable tax rate of 17% on the estimated assessable profits during the year ended 31 December 2019 (2018: 17%).

Hong Kong profits tax had not been provided for as the Group had no assessable profit in Hong Kong during the year ended 31 December 2019 (2018: Nil).

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.

No provision for income tax in BVI has been made as the Group has no assessable income in BVI during the year ended 31 December 2019 (2018: Nil).

The amount of income tax expense charged to the combined statements of comprehensive income represents:

	2019	2018
	S$'000	*S$'000*
Current tax	**2,006**	1,664
Deferred tax	**55**	299
Under/(over) provision in prior years	**34**	(16)
Income tax expense	**2,095**	1,947

9 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion in this combined financial statements is not considered meaningful as the results for the year ended 31 December 2019 were prepared on a combined basis and the Reorganisation has not been completed as at 31 December 2019 (2018: Same).

10 TRADE AND RETENTION RECEIVABLES

	2019	2018
	S$'000	*S$'000*
Trade receivables		
— Third parties	**6,340**	7,243
— Related parties	**16**	171
	6,356	7,414
Less: Allowance for impairment of receivables	**(234)**	(211)
Trade receivable — net	**6,122**	7,203
Retention sum for contract works	**1,602**	1,755
	7,724	8,958

The Group's credit terms granted to third-party customers other than retention sum for contract works is generally 30 to 45 days. 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.

The ageing analysis of the trade receivables, based on invoice date, was as follows:

	2019	2018
	S$'000	*S$'000*
Less than 30 days	**3,243**	5,604
31–60 days	**2,406**	1,432
61–90 days	**181**	12
91–120 days	**37**	103
121–365 days	**271**	104
More than 1 year	**218**	159
	6,356	7,414

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

	2019	2018
	S$'000	*S$'000*
Beginning of year	**211**	314
Impairment made/(reversed)	**45**	(103)
Impairment utilised	**(22)**	–
End of year	**234**	211

10 TRADE AND RETENTION RECEIVABLES (Continued)

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

As at 31 December 2019, the carrying amounts of trade and retention receivables were denominated in S$ and approximate their fair values (2018: Same).

Retention sum for contract works are settled in accordance with the terms of the respective contracts. In the combined balance sheet, retention sum for contract works were classified as current assets based on operating cycle. The analysis of the retention sum for contract works based on the terms of contracts were as follows:

	2019	2018
	S$'000	*S$'000*
To be recovered within 12 months	**1,602**	1,755

11 BANK AND OTHER BORROWINGS

	2019	2018
	S$'000	*S$'000*
Bank overdrafts	**4,223**	–
Borrowings — secured	**21,239**	12,540
Borrowing from third party — unsecured	**98**	49
	25,560	12,589

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

	2019	2018
	S$'000	*S$'000*
Within 1 year or on demand	**22,918**	10,222
After 1 year but within 2 years	**1,479**	1,477
After 2 years but within 5 years	**1,163**	890
	25,560	12,589

As at 31 December 2019, the Group's bank borrowings were secured by legal charges on investment properties and property of the Group, pledged deposit and joint and several personal guarantees by the directors (2018: Same).

As at 31 December 2019, the carrying amounts of bank borrowings approximated their fair values (2018: Same).

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 3.92% as at 31 December 2019 (2018: 3.86%).

12 TRADE PAYABLES

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

	2019	2018
	S$'000	*S$'000*
Trade payables		
— Third parties	**8,724**	7,036
— Related parties	**1,351**	231
	10,075	7,267

The ageing analysis of the trade payables, based on invoice date, was as follows:

	2019	2018
	S$'000	*S$'000*
Less than 30 days	**2,931**	4,870
31–60 days	**3,703**	1,064
61–90 days	**2,193**	534
91–120 days	**389**	571
121–365 days	**609**	207
More than one year	**250**	21
	10,075	7,267

As at 31 December 2019, the carrying amounts of trade payables were denominated in S$ and approximate their fair values (2018: Same).

13 CONTRACT ASSETS/(LIABILITIES)

	2019	2018
	S$'000	*S$'000*
Contract assets	**41,052**	17,730
Contract liabilities	**(7)**	(13)
Contract assets — net	**41,045**	17,717

(i) Significant change in contract assets

The increase in contract assets during the year ended 31 December 2019 was attributed to more projects having substantial progress of the contract activities ahead of the agreed payment schedule.

13 CONTRACT ASSETS/(LIABILITIES) (Continued)

(ii) Revenue recognised in relation to contract liabilities:

	2019	2018
	S$'000	*S$'000*
Revenue recognised in current year that was included in the contract liabilities balance at the beginning of the year	**13**	97

(iii) Unsatisfied performance obligation:

Unsatisfied performance obligations resulting from fixed-price long-term contracts were analysed as follows:

	2019	2018
	S$'000	*S$'000*
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied	**271,671**	60,127

	2019	2018
	S$'000	*S$'000*
Expected to be recognised within one year	**128,406**	33,664
Expected to be recognised after one year	**143,265**	26,463
	271,671	60,127

14 DIVIDENDS

	2019	2018
	S$'000	*S$'000*
Dividends	**1,200**	3,150

Dividends declared during the year ended 31 December 2019 represented dividends declared by the companies now comprising the Group to the then equity holders of those companies for the year ended 31 December 2019, after elimination of intra-group dividends (2018: Same).

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

15 SUBSEQUENT EVENTS

Saved as disclosed elsewhere in this announcement, subsequent to 31 December 2019, the following subsequent events took place

(i) The Group conditionally adopted a share option scheme on 18 February 2020 under which any employee (full-time or part-time), director, consultant business partner, or service provider of any member of the Group may be granted options to subscribe for new shares of the Company. As of this announcement, no share options have been granted under the scheme.

(ii) The Group undertook a series of transactions as part of the Reorganisation, details of which are as follows.

(a) On 12 February 2020, the Controlling Shareholders collectively transferred all of their respective shareholdings in WG BVI, the then holding company of the other companies comprising the Group, to the Company. In consideration for such transfer of shares, an aggregate of 100 shares of the Company was issued, allotted and credited as fully paid to WGI BVI.

Upon completion of such share transfer, the Company became the holding company of all companies comprising the Group.

(b) On 18 February 2020, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 shares of HK$0.01 each by the creation of an additional 1,962,000,000 shares.

(iii) On 12 March 2020, 797,999,800 shares of HK$0.01 each were allotted and issued at par to the shareholders in proportion to their then shareholders of the Company as at 18 February 2020 by capitalisation of an amount of HK$7,979,998 standing to the credit of the share premium account of the Company.

(iv) On 12 March 2020, the Company issued 266,000,000 shares at HK$0.48 each through an initial public offering of shares and raised gross cash proceeds of approximately HK$128 million (before listing expenses). The Company's shares were listed on the Main Board on 12 March 2020.

(v) Since January 2020, Singapore and Malaysia has reported certain confirmed cases of Novel Coronavirus ("COVID-19"). The Singapore government has made numerous precautionary measures and Malaysia government has implemented Movement Control Order ("MCO") from 18 March 2020 to 14 April 2020 which called for closure of all non-essential services. The outbreak of COVID-19 is affecting the usual business environment of both Singapore and Malaysia, the two jurisdictions in which the Group operates.

The Group has adopted precautionary and control measures to mitigate the impact of the COVID-19 to the Group's operations, including but not limited to flexible work-from-home practices and procurement of supplies for epidemic prevention and control. One of the joint ventures of the Group, SWG Alliance Pte. Ltd. and its subsidiaries ("SWG Group") has temporarily suspended some of their Malaysia's operations due to the MCO imposed by the Malaysian government. Management expects the SWG Group will resume into normal operation when the MCO is lifted.

Pending development of such subsequent non-adjusting event, the Group's financial results may be affected, the extent of which could not be estimated as at the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The civil engineering utilities market in Singapore remained relatively stable for the year ended 31 December 2019, with no material adverse change in the general economic and market conditions in Singapore or the industry in which we operated that had materially or adversely affected or would affect the business operations or financial condition.

BUSINESS REVIEW AND PROSPECT

The core business and revenue structure of the Group have remained unchanged for the year ended 31 December 2019. The Group's operations 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 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 believes the civil engineering utilities in Singapore will continue to grow steadily with major developments planned by the Singapore Government beyond 2019. We will continue to leverage on our various licenses and qualifications and deep experience in civil engineering utilities industry and to participate in the forthcoming projects to strengthen our position in Singapore market. We will continue to invest in manpower, equipment and machineries in order to maintain our edge in the market.

ONGOING PROJECTS

As at 31 December 2019, the Group had 20 ongoing power cable installation projects, 2 telecommunication cable installation projects and 1 ongoing cable installation projects with an aggregated contract sum of approximately S$344.8 million, of which approximately S$73.2 million has been recognised as revenue as at 31 December 2019. The remaining balance will be recognised as our revenue in accordance with the respective stage of completion.

The management considered that all of the ongoing projects were on schedule and none of which would cause the Group to indemnify the third parties and incur any contingent liabilities as at 31 December 2019.

FINANCIAL REVIEW

Below is the financial review for the year ended 31 December 2019 ("**FY2019**") compared to year ended 31 December 2018 ("**FY2018**").

Revenue

The following table sets out the breakdown of the Group's revenue by goods and services types for FY2019 and FY2018, respectively.

	FY2019	FY2018
	S$'000	*S$'000*
Revenue from contract works		
— Power	**53,041**	46,002
— Telecommunication	**4,178**	8,883
— Sewerage	**879**	968
Subtotal	**58,098**	55,853
Road Milling and resurfacing services	**6,264**	6,928
Ancillary support and other services	**984**	980
Sales of goods and milled waste	**639**	969
Total	**65,985**	64,730

Our revenue increased by approximately S$1.3 million from approximately S$64.7 million in FY2018 to approximately S$66.0 million in FY2019 representing an increase of approximately 1.9%, was mainly attributable to:

(1) increase in revenue from contract works by approximately S$2.2 million with combined effect of (i) the increase in revenue from power cable installation projects by approximately S$7.0 million was mainly due to substantial progress of one of the projects with doubled revenue recognised in FY2019 compared to FY2018; (ii) the decrease in revenue from telecommunication cable installation projects by approximately S$4.7 million was due to seven completed projects in FY2018 and decreased revenue recognition in one of the projects in FY2019 due to the respective project stage as contracted;

(2) decrease in revenue from road milling and resurfacing services by approximately S$0.7 million; and

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

Costs of sales

Our costs of sales slightly decreased from approximately S$46.7 million in FY2018 to approximately S$46.3 million in FY2019, representing a decrease of approximately 1.0%, primarily as a result of decrease in subcontracting charges incurred for certain projects undertaken during the year.

Gross profit and gross profit margin

The Group's gross profit increased by approximately S$1.7 million from approximately S$18.0 million in FY2018 to approximately S$19.7 million in FY2019, while the Group's gross profit margin increased by approximately 2.1% from approximately 27.8% in FY2018 to approximately 29.9% in FY2019.

The Group achieved better gross profit margin for FY2019 because the Group was able to reduce the reliance of subcontractors and improve the efficiency of our own workers for certain projects undertook during FY2019. Moreover, the Group had a competitive edge over other competitors on a major power cable works project during FY2019 as we were able to command the new technology and methodology in cable tunnel projects as well as having the available cable laying machine to perform cable laying works in deep tunnel efficiently. These have contributed to the increased gross profit margins during the year.

Other income and other gains, net

Other income and other gains, net increased by approximately S$0.4 million from approximately S$0.4 million in FY2018 to approximately S$0.8 million in FY2019 was mainly attributable to the disposal of certain property, plant and equipment to a related company with a recognised gain of approximately S$0.4 million.

Administrative expenses

Our administrative expenses increased from approximately S$6.5 million in FY2018 to approximately S$10.6 million in FY2019. Such increase was mainly attributable to the one-off listing expenses of approximately S$3.5 million incurred during the year.

Finance income

The finance income mainly represented interest income from bank deposits and fixed deposits. It increased by approximately S$12,000 during FY2019 mainly due to the increase in interest income generated from pledged bank deposits during the year.

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 from approximately S$0.7 million in FY2018 to approximately S$0.8 million in FY2019 as a result of the increase in bank and other borrowings from approximately S$12.6 million as at 31 December 2018 to approximately S$25.6 million as at 31 December 2019.

Income tax expense

Income tax expenses increased by approximately S$0.2 million from approximately S$1.9 million in FY2018 to approximately S$2.1 million in FY2019, against a backdrop in the decrease of profit before tax of approximately S$2.4 million from approximately S$11.2 million in FY2018 to approximately S$8.8 million in FY2019. This was due to the one-off listing expenses amounted to approximately S$3.5 million incurred during FY2019 which was non-deductible for tax purpose.

Profit for the year and net profit margin

As a result of the foregoing, our profit for FY2019 decreased by approximately 27.0% to approximately S$6.7 million due to the one-off listing expenses incurred amounted to approximately S$3.5 million. After eliminating the impact of one-off listing expenses for FY2019, the adjusted net profit of the Group for FY2019 would amount to approximately S$10.2 million, representing an increase of approximately 11.3% from FY2018, while our adjusted net profit margin (eliminating the impact of one-off listing expenses) would increase to approximately 15.5% for FY2019 from approximately 14.2% for FY2018 primarily due to the growth of our business.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity requirements are primarily attributable to our working capital for our business operations. Our principal sources of liquidity are cash generated from our operations and borrowings.

As at 31 December 2019, the Group maintained a healthy liquidity position with net current asset balance and cash and cash equivalents of approximately S$19.1 million (2018: S$11.8 million) and approximately S$3.4 million (2018: S$4.4 million) respectively.

Borrowings

As at 31 December 2019, the Group had total borrowings (including bank and other borrowings and lease liabilities) of approximately S$27.4 million (2018: S$13.9 million).

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 31 December 2019, our gearing ratio was approximately 74.1% (2018: 44.3%). The fluctuation in our gearing ratio during the year was mainly due to the increase in bank and other borrowings incurred in FY2019.

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 31 December 2019, our net debt to total capital ratio was approximately 38.3% (2018: 23.3%). The fluctuation in our net debt to total capital ratio was due mainly due to the increase in bank and other borrowings incurred in FY2019.

Capital expenditures

For FY2019, the Group incurred capital expenditures of approximately S$3.5 million, primarily due to purchases of plant and equipment and motor vehicles.

Contingencies

As at 31 December 2019, our Group had performance bonds of guarantees for completion of projects issued by insurance companies amounting to approximately S$13.7 million (2018: S$5.3 million).

As at 31 December 2019, our Group also had security bonds made under section 12 of Employment of Foreign Manpower (Work Passes) Regulations amounting to approximately S$2.0 million (2018: S$1.6 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 31 December 2019, the Group's investment properties of approximately S$1.9 million (2018: S$2.0 million), property of approximately S$8.4 million (2018: S$9.4 million) and bank deposits of approximately S$1.0 million (2018: Nil) were pledged for bank borrowings.

Future plan for material investments and capital assets

As at the date of this results announcement, the Group did not have any plans for material investments and capital assets.

Significant investments, acquisitions and disposals

For FY2019, the Group did not have any significant investments, acquisitions or disposals, except for the reorganisation of the Group with details set forth in the Prospectus.

Financial instruments

Our major financial instruments include trade receivables, other receivables excluding prepayments, cash and cash equivalents, pledged bank deposits, borrowings, trade 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 share of the Company have been listed on the Stock Exchange on 12 March 2020, the Group retains most of the listing proceeds from the Share Offering denominated in Hong Kong dollars amounting to approximately HK$75.0 million that are exposed to fluctuations in foreign exchange rate risks. The Group will continue to monitor its foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND REMUNERATION POLICIES

As at the 31 December 2019, we had 622 full time employees (2018: 532) who were directly employed by us and based in Singapore. The increase in number of employees was mainly due to the increase in the scale of the Group's business.

We offer remuneration package to our employees which includes salary and bonuses. 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.

SIGNIFICANT EVENT AFTER REPORTING PERIOD

Since January 2020, Singapore and Malaysia have reported certain confirmed cases of Novel Coronavirus ("**COVID-19**"). The Singapore Government has made numerous precautionary measures and the Malaysia Government has implemented Movement Control Order ("**MCO**") from 18 March 2020 to 14 April 2020 which called for closure of all non-essential services. The outbreak of COVID-19 is affecting the usual business environment of both Singapore and Malaysia, the two jurisdictions in which the Group operates.

The Group has adopted precautionary and control measures to mitigate the impact of the COVID-19 to the Group's operations, including but not limited to flexible work-from-home practices and procurement of supplies for epidemic prevention and control. One of the joint ventures of the Group, SWG Alliance Pte. Ltd. and its subsidiaries ("**SWG Group**") have temporarily suspended some of their Malaysia's operations due to the MCO imposed by the Malaysia Government. Management expects SWG Group will resume into normal operation when the MCO is lifted.

Pending development of such subsequent non-adjusting event, the Group's financial results may be affected, the extent of which could not be estimated as at the date of this report.

Save as the above, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after FY2019.

USE OF PROCEEDS FROM SHARE OFFERING

The amount of net proceeds from the Share Offering is approximately HK$75.0 million after deducting underwriting commissions and all related expenses. As at the date of this announcement, the net proceeds from the Share Offering have not been used.

The net proceeds from Share Offering shall be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the Prospectus. The Directors do not anticipate that there will be any material change to the proposed use of the net proceeds from the Share Offering.

DIVIDEND

During FY2018 and FY2019, we declared dividends of approximately S$3.2 million and S$1.2 million respectively to our then shareholders. All such dividends had been fully paid and we financed the payment of such dividends by internal resources.

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.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for FY2019.

CORPORATE GOVERNANCE

The Company has adopted and complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 of Rules Governing the Listing of Securities (the "**Listing Rules**")on the Stock Exchange since the listing of the shares of the Company on the Stock Exchange on 12 March 2020 (the "**Listing Date**") and up to the date of this announcement.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "**Model Code**") as set out in Appendix 10 to 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 since the Listing Date and up to the date of this announcement. 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 since the Listing Date.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's audited financial results for FY2019 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 audited combined financial statements for FY2019.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's combined balance sheet, combined statement of comprehensive income and the related notes thereto for FY2019 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited combined financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL 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 annual report for FY2019 and the notice of the annual general meeting will be dispatch 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

Hong Kong, 30 March 2020

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.