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 2020

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 2020 together with comparative figures for the corresponding period in 2019 as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2020	2019
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
Revenue	**23,188**	26,433
Gross Profit	**1,226**	7,483
Operating (Loss)/Profit	**(3,759)**	2,502
Net (Loss)/Profit for the period	**(4,917)**	1,496
Adjusted Net (Loss)/Profit *(Note 1&2)*	**(3,953)**	3,330
Gross Profit Margin	**5.3%**	28.3%
Net (Loss)/Profit Margin	**(21.2%)**	5.7%
Adjusted Net (Loss)/Profit Margin *(Note 1&2)*	**(17.1%)**	12.6%

Notes:

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

	Notes	For the six months ended 30 June 2020 S$'000 (Unaudited)	2019 S$'000 (Unaudited)
Revenue	*4*	**23,188**	26,433
Cost of sales	*6*	**(21,962)**	(18,950)
Gross profit		**1,226**	7,483
Other income and other gains/(losses), net	*5*	**1,633**	121
Administrative expenses	*6*	**(6,306)**	(5,007)
Allowance for impairment of receivables		**(312)**	(95)
Operating (loss)/profit		**(3,759)**	2,502
Finance income	*7*	**4**	6
Finance costs	*7*	**(511)**	(331)
Share of loss of joint ventures, net of tax		**(315)**	(359)
(Loss)/profit before income tax		**(4,581)**	1,818
Income tax expense	*8*	**(336)**	(322)
(Loss)/profit for the period		**(4,917)**	1,496
(Loss)/profit for the period attributable to:			
Equity holders of the Company		**(4,775)**	1,391
Non-controlling interests		**(142)**	105
		(4,917)	1,496
(Loss)/earnings per share (expressed in Singapore cents per share)			
Basic and diluted	*9*	**(0.49)**	0.17

	For the six months ended 30 June	
	2020	2019
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	**(4,917)**	1,496
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss		
Currency translation differences	**394**	–
Other comprehensive income for the period, net of tax	**394**	–
Total comprehensive (loss)/income for the period	**(4,523)**	1,496
Total comprehensive (loss)/income for the period attributable to:		
Equity holders of the Company	**(4,381)**	1,391
Non-controlling interests	**(142)**	105
	(4,523)	1,496

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2020** ***S$'000*** **(Unaudited)**	As at 31 December 2019 *S$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**16,270**	17,352
Right-of-use assets		**1,711**	1,749
Investment properties		**1,910**	1,910
Investments in joint ventures	*10*	**4,746**	661
Other investment		**86**	86
Deferred income tax assets		**64**	206
		24,787	21,964
Current assets			
Inventories		**1,115**	785
Contract assets	*14*	**37,916**	41,052
Trade and retention receivables	*11*	**3,590**	7,724
Deposits, prepayments and other receivables		**5,121**	5,763
Pledged bank deposits		**1,976**	1,044
Cash and cash equivalents		**16,084**	3,389
		65,802	59,757
Total assets		**90,589**	81,721
EQUITY			
Equity attributable to owners of the Company			
Share capital	*15*	**1,915**	5,850
Share premium		**15,476**	–
Retained earnings		**19,465**	24,240
Revaluation reserve		**586**	586
Other reserve		**10,413**	4,563
Exchange reserve		**394**	–
		48,249	35,239
Non-controlling interests		**1,515**	1,657
Total equity		**49,764**	36,896

	Notes	As at 30 June 2020 S$'000 (Unaudited)	As at 31 December 2019 S$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	*12*	**2,136**	2,642
Lease liabilities		**1,039**	1,143
Provisions		**456**	337
		3,631	4,122
Current liabilities			
Trade payables	*13*	**4,917**	10,075
Accruals, other payables and provisions		**2,578**	5,036
Contract liabilities	*14*	**214**	7
Current income tax liabilities		**1,869**	2,017
Bank and other borrowings	*12*	**26,889**	22,918
Lease liabilities		**727**	650
		37,194	40,703
Total liabilities		**40,825**	44,825
Total equity and liabilities		**90,589**	81,721

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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") principally engage 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 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").

On 25 February 2020, the Company issued prospectus and launched a share offer of 266,000,000 shares at price of HK$0.48 per share (the "Offer Price"). The Company's ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 March 2020.

These unaudited condensed consolidated interim financial information is presented in Singapore Dollar ("S$") unless otherwise stated.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 is prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" issued by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's combined financial statements for the year ended 31 December 2019.

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 combined financial statements for the year ended 31 December 2019, except for the application of new and amendments to IFRSs effective as of 1 January 2020. 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 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 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.

For the six months ended 30 June 2020, there were 3 customers (six months ended 30 June 2019: 2) which individually contributed to over 10% of the Group's total revenue. During the period, the revenues contributed from those customers are as follows:

	For the six months ended 30 June	
	2020	2019
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
Customer 1	**3,677**	9,930
Customer 2	**9,293**	N/A
Customer 3	**3,518**	2,909

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	
	2020	2019
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
Revenue from contract works	**20,736**	21,851
Road milling and resurfacing services	**1,901**	3,601
Ancillary support and other services	**363**	412
Sale of goods and milled waste	**188**	569
	23,188	26,433
Revenue recognised:		
Over time	**23,000**	25,864
At point in time	**188**	569
	23,188	26,433

5 OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	For the six months ended 30 June	
	2020	2019
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
Other income:		
Rental income from investment properties	**12**	12
Government grants *(Note)*	**1,527**	163
Others	**84**	69
	1,623	244
Other gains/(losses), net:		
Loss on foreign exchange difference — net	**–***	(17)
Gain/(loss) on disposal of property, plant and equipment, net	**10**	(106)
	10	(123)
	1,633	121

* Less than S$1,000

Note: Government grants mainly include Childcare Leave Scheme, Foreign Worker Levy Rebate, Job Support Scheme, Skill Connect Funding, Special Employment Credit, Wages Credit Scheme and Workforce Training Scheme. These incentives are granted in the form of cash payout and there were not unfulfilled conditions or contingencies relating to these grants.

6 EXPENSES BY NATURE

The following items have been charged to the operating (loss)/profit during the period:

	For the six months ended 30 June	
	2020	2019
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
Raw material and consumables used	**2,746**	3,560
Subcontracting charges	**6,225**	3,284
Auditor's remuneration:		
— Audit services	**120**	61
Depreciation	**2,655**	2,450
Employee benefit expenses, including directors' emoluments	**9,450**	8,734
Expenses relating to short term leases and low value assets	**26**	27
Write down of inventories	**3**	–
Listing expenses	**964**	1,834

7 FINANCE INCOME AND FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
Finance income		
Interests from:		
— Bank deposits	**–***	–*
— Pledged bank deposits	**4**	6
	4	6
Finance costs		
Interests on:		
— Bank and other borrowings	**463**	296
— Lease liabilities	**38**	26
— Unwinding of discount of reinstatement costs	**10**	9
	511	331

* Less than S$1,000

8 INCOME TAX EXPENSE

Income tax had been provided at the applicable tax rate of 17% (six months ended 30 June 2019: 17%) on the estimated assessable profits during the financial period.

Hong Kong profits tax had not been provided for as the Group had no assessable profit in Hong Kong during the six months ended 30 June 2020 (six months ended 30 June 2019: 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 financial period.

The amount of income tax expense charged to the unaudited condensed consolidated statement of comprehensive (loss)/income represents:

	For the six months ended 30 June	
	2020	2019
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
Income tax		
— Current period	**173**	421
— Under provision in prior year	**21**	–
Deferred tax		
— Current period	**12**	(99)
— Under provision in prior year	**130**	–
Income tax expense	**336**	322

9 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

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

The weighted average number of ordinary shares in issue for the purpose of calculating basic and diluted earnings per share for the six months ended 30 June 2019 has been adjusted for the effect of capitalisation issue of 798,000,000 shares pursuant to the resolution dated 18 February 2020 and subsequently became effective on 25 February 2020.

The results for the six months ended 30 June 2019 were prepared on a combined basis and the reorganisation of the Group was completed on 12 February 2020.

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to the equity holders of the Company (S$'000)	**(4,775)**	1,391
Weighted average number of ordinary shares in issue (in thousand)	**982,601**	798,000
Basic and diluted (loss)/earnings per share in Singapore cents	**(0.49)**	0.17

10 INVESTMENTS IN JOINT VENTURES

	As at 30 June 2020	As at 31 December 2019
	S$'000	*S$'000*
	(Unaudited)	(Audited)
Beginning of the period/year	**661**	986
Addition	**4,400**	–
Share of post-acquisition loss of joint ventures	**(315)**	(325)
End of the period/year	**4,746**	661

Set out below are the joint ventures of the Group throughout the six months ended 30 June 2020 and financial year ended 31 December 2019. These joint ventures have share capital consisting solely of ordinary shares, which are held directly by certain companies comprising 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 2020	As at 31 December 2019
		(Unaudited)	(Audited)
SWG Alliance Pte. Ltd. and its subsidiaries *(Note i)*	Singapore	**40**	40
Futurus Construction Pte. Ltd. *(Note ii)*	Singapore	**40**	40

Notes:

(i) SWG Alliance Pte. Ltd. is an investment holding company. The principal activities of its subsidiaries are manufacture of precast concrete, cement or artificial stone articles, asphalt products, and quarry products.

(ii) Futurus Construction Pte. Ltd. is currently intended to engage in the business of distribution and leasing of machinery and equipment relating to the civil engineering industry.

11 TRADE AND RETENTION RECEIVABLES

	As at 30 June 2020 *S$'000* **(Unaudited)**	As at 31 December 2019 *S$'000* (Audited)
Trade receivables		
— Third parties	**2,907**	6,340
— Related parties	**2**	16
	2,909	6,356
Less: Allowance for impairment of receivables	**(524)**	(234)
Trade receivable — net	**2,385**	6,122
Retention sum for contract works	**1,205**	1,602
	3,590	7,724

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:

	As at 30 June 2020 *S$'000* **(Unaudited)**	As at 31 December 2019 *S$'000* (Audited)
Less than 30 days	**1,982**	3,243
31–60 days	**19**	2,406
61–90 days	**53**	181
91–120 days	**220**	37
121–365 days	**321**	271
More than 1 year	**314**	218
	2,909	6,356

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

	As at 30 June 2020 S$'000 (Unaudited)	As at 31 December 2019 S$'000 (Audited)
Beginning of the period/year	**234**	211
Impairment made	**312**	45
Impairment utilised	**(22)**	(22)
End of the period/year	**524**	234

The Group applied the simplified approach to provide for expected credit losses.

As at 30 June 2020, the carrying amounts of trade and retention receivables approximated their fair values (31 December 2019: Same).

Retention sum for contract works are settled in accordance with the terms of the respective contracts. In the statement of financial position, 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:

	As at 30 June 2020 S$'000 (Unaudited)	As at 31 December 2019 S$'000 (Audited)
To be recovered within 12 months	**1,205**	1,602

12 BANK AND OTHER BORROWINGS

	As at 30 June 2020 S$'000 (Unaudited)	As at 31 December 2019 S$'000 (Audited)
Bank overdrafts	**–**	4,223
Borrowings — secured	**28,927**	21,239
Borrowing from third party — unsecured	**98**	98
	29,025	25,560

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

	As at 30 June 2020 S$'000 (Unaudited)	As at 31 December 2019 S$'000 (Audited)
Within 1 year or on demand	**26,889**	22,918
After 1 year but within 2 years	**1,127**	1,479
After 2 years but within 5 years	**1,009**	1,163
	29,025	25,560

As at 30 June 2020, the Group's bank borrowings are secured by legal charges on investment properties and property of the Group, pledged deposit and joint and several personal guarantees by the directors and corporate guarantee by the Company. At the date of this announcement, the remaining existing personal guarantees are in the process to be replaced with corporate guarantee by the Company.

As at 30 June 2020, the carrying amounts of bank borrowings approximated their fair values (31 December 2019: 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 3.04% as at 30 June 2020 (31 December 2019: 3.92%).

13 TRADE PAYABLES

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

	As at 30 June 2020 S$'000 (Unaudited)	As at 31 December 2019 S$'000 (Audited)
Trade payables		
— Third parties	**4,240**	8,724
— Related parties	**677**	1,351
	4,917	10,075

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

	As at 30 June 2020	As at 31 December 2019
	S$'000	*S$'000*
	(Unaudited)	(Audited)
Less than 30 days	**1,710**	2,931
31–60 days	**724**	3,703
61–90 days	**795**	2,193
91–120 days	**832**	389
121–365 days	**807**	609
More than one year	**49**	250
	4,917	10,075

As at 30 June 2020, the carrying amounts of trade payables approximated their fair values (31 December 2019: Same).

14 CONTRACT ASSETS/(LIABILITIES)

	As at 30 June 2020	As at 31 December 2019
	S$'000	*S$'000*
	(Unaudited)	(Audited)
Contract assets	**37,916**	41,052
Contract liabilities	**(214)**	(7)
Contract assets — net	**37,702**	41,045

(i) Significant change in contract assets

The decrease in contract assets during the financial period 30 June 2020 was attributed to agreed payment schedule and lower revenue recognition as a result of elevated set of safe distancing measures ("**Circuit Breaker**") implemented by the Singapore Government to combat the pandemic of Novel Coronavirus ("**COVID-19**").

(ii) Revenue recognised in relation to contract liabilities:

	As at 30 June 2020	As at 31 December 2019
	S$'000	*S$'000*
	(Unaudited)	(Audited)
Revenue recognised in current period/year that was included in the contract liabilities balance at the beginning of the period/year	**7**	13

(iii) Unsatisfied performance obligation:

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

	As at 30 June 2020 *S$'000* **(Unaudited)**	As at 31 December 2019 *S$'000* (Audited)
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied	**251,258**	271,671

	As at 30 June 2020 *S$'000* **(Unaudited)**	As at 31 December 2019 *S$'000* (Audited)
Expected to be recognised within one year	**151,862**	128,406
Expected to be recognised after one year	**99,396**	143,265
	251,258	271,671

15 SHARE CAPITAL

	No. of shares	**Share capital** *HK$'000*
Authorised:		
At 15 May 2019 (date of incorporation) and 31 December 2019	38,000,000	380
Increase on 18 February 2020	1,962,000,000	19,620
At 30 June 2020	2,000,000,000	20,000

	No. of shares	***HK$'000***	***S$'000***
Issued and fully paid:			
At 15 May 2019 (date of incorporation) and 31 December 2019	100	–*	–*
Issue of shares pursuant to the Group Reorganisation	100	–*	–*
Share issued under the Capitalisation Issue	797,999,800	7,980	1,436
Share issued under the Share Offer	266,000,000	2,660	479
At 30 June 2020	1,064,000,000	10,640	1,915

* *Less than HK$1,000 and S$1,000*

Notes:

(i) Combined share capital as at 31 December 2019 amounted to S$5,850,000 represented the combined share capital of the companies comprising the Group, after elimination of intra-group investments.

(ii) On 12 February 2020, the Controlling Shareholders collectively transferred all of their respective shareholdings in WG (BVI) Limited ("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.

(iii) 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.

(iv) 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

(v) 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 Stock Exchange on 12 March 2020.

16 DIVIDENDS

	As at 30 June 2020	As at 31 December 2019
	S$'000	*S$'000*
	(Unaudited)	(Audited)
Dividends	**–**	1,200

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.

The Board does not recommend the payment of an interim dividend for six months ended 30 June 2020.

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 2020, the following subsequent event took place:

(i) Since January 2020, Singapore and Malaysia has reported certain confirmed cases of COVID-19. The Singapore government has implemented Circuit Breaker from 7 April 2020 to 1 June 2020 and Malaysia government has implemented Movement Control Order ("MCO") from 18 March 2020 to 9 June 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 and our operations did not immediately resume to its normal level even such control has since been lifted. Our Group continues to closely monitor the development of the pandemic and evaluate the impact on the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The civil engineering utilities market in Singapore is severely affected by the pandemic of Novel Coronavirus ("**COVID-19**"). According to the forecasts published by the Ministry of Trade and Industry Singapore ("**MTI**") on 11 August 2020, the MTI narrowed Singapore's GDP growth forecast for 2020 to "-7.0 to -5.0 per cent", from "-7.0 to -4.0 per cent".

BUSINESS REVIEW AND PROSPECTS

The core business and revenue structure of the Group have remained unchanged for the six months ended 30 June 2020. 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.

All construction activities, including those of the Group, were suspended in April to June 2020 under elevated set of safe distancing measures (the "**Circuit Breaker**") implemented by the Singapore Government to contain the outbreak. While a controlled restart of some construction activities has since been permitted, the pace of resumption has been slow. In addition, the Group is required to comply with government measures such as the safe worksite requirements prior to resuming work, and conducting regular swab tests on its workers after resumption. It is expected that the Group will be incurring additional costs for complying with these requirements going forward. Along with the uncertainty and other challenges brought about by the pandemic, the Group expects its performance for the year ended 31 December 2020 to be adversely affected.

The Group will continue to leverage its solid track record and proven expertise to tender for public and private sector projects. However, there might be delays for tenders for major public infrastructure projects in view of the pandemic.

The Group will actively monitor the situation to ensure smooth and safe development of its projects, while leveraging government grants to moderate the financial impact of the delay. The Group has made cash conservation and cost control a top priority, and will exercise caution when exploring business opportunities during this COVID-19 period.

ONGOING PROJECTS

As at 30 June 2020, the Group had 26 (30 June 2019: 20) ongoing projects, including 22 ongoing power cable installation projects, two telecommunication cable installation projects and two ongoing cable installation projects with an aggregated contract sum of approximately S$329.6 million, of which approximately S$78.3 million has been recognised as revenue up to 30 June 2020. 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 2020 as compared to six months ended 30 June 2019.

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 2020 and 2019.

	For the six months ended 30 June	
	2020	2019
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
Revenue from contract works		
— Power	**20,018**	18,861
— Telecommunication	**718**	2,497
— Sewerage	**–**	493
Subtotal	**20,736**	21,851
Road Milling and resurfacing services	**1,901**	3,601
Ancillary support and other services	**363**	412
Sales of goods and milled waste	**188**	569
Total	**23,188**	26,433

Our revenue decreased by approximately S$3.2 million from approximately S$26.4 million for the six months ended 30 June 2019 to approximately S$23.2 million for the six months ended 30 June 2020, representing a decrease of approximately 12.3%. This decrease was mainly attributable to:

(1) decrease in revenue from contract works by approximately S$1.1 million with combined effects of (i) the increase in revenue from power cable installation projects by approximately S$1.2 million was mainly due to substantial progress of five projects with revenue recognised for the six months ended 30 June 2020 before the implementation of Circuit Breaker compared to 30 June 2019; (ii) the decrease in revenue from telecommunication cable installation projects by approximately S$1.8 million was due to decreased revenue recognition in one of the projects for the six months ended 30 June 2020 due to the respective project stage as contracted; and (iii) the decrease in revenue from sewerage due to completion of sewerage projects during the year ended 31 December 2019;

(2) decrease in revenue from road milling and resurfacing services by approximately S$1.7 million due to Circuit Breaker measures implemented by the Singapore Government; and

(3) slight decrease in revenue from sales of goods and milled waste by approximately S$0.4 million.

Costs of sales

Our costs of sales increased by approximately S$3.0 million from approximately S$19.0 million for the six months ended 30 June 2019 to approximately S$22.0 million for the six months ended 30 June 2020, representing an increase of approximately 15.9%, primarily as a result of (a) increase in subcontracting charges incurred for certain projects undertaken during the period; (b) the Group had to pay wages for direct labours during the Circuit Breaker period; and (c) additional costs were incurred in the adoption and implementation of additional safe and controlled restart measures for our employees before resumption of the Group's operating activities.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately S$6.3 million from approximately S$7.5 million for the six months ended 30 June 2019 to approximately S$1.2 million for the six months ended 30 June 2020, while the Group's gross profit margin decreased from approximately 28.3% for the six months ended 30 June 2019 to approximately 5.3% for the six months ended 30 June 2020.

The significant decrease in gross profit margin is mainly due to (a) Circuit Breaker implemented by the Singapore Government where our Group experienced disruption which our operations did not immediately resume to its normal level even after Circuit Breaker was lifted which led to decrease in the revenue; (b) our Group had to pay wages for our direct labours during the Circuit Breaker period while such costs could not generate any corresponding project revenue during the Circuit Breaker period; and (c) additional costs were incurred in the adoption and implementation of additional safe and controlled restart measures for our employees before resumption of the Group's operating activities.

Other income and other gains/(losses), net

Other income and other gains/(losses), net increased by approximately S$1.5 million from approximately S$0.1 million for the six months ended 30 June 2019 to approximately S$1.6 million for the six months ended 30 June 2020 was mainly attributable to the grants received from the Singapore Government such as Foreign Worker Levy Rebates and Job Support Scheme.

Administrative expenses

Our administrative expenses increased by approximately S$1.3 million from approximately S$5.0 million for the six months ended 30 June 2019 to approximately S$6.3 million for the six months ended 30 June 2020. Such increase was mainly attributable to the net effects of (a) increase in legal and professional fees by approximately S$1.2 million in relation to additional compliance cost incurred after the shares of Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"); (b) increase in employee benefit costs by approximately S$0.8 million; and (c) our Group had incurred the one-off listing expenses of approximately S$1.0 million and S$1.8 million for the six months ended 30 June 2020 and 2019, respectively.

Allowance for impairment of receivables

An allowance for impairment of receivables increased by approximately S$0.2 million from approximately S$0.1 million for the six months ended 30 June 2019 to approximately S$0.3 million for the six months ended 30 June 2020. Such increase was mainly due to the increase in trade receivables that were aged over 120 days and recognition of allowance for expected credit loss for the six months ended 30 June 2020.

Finance income

The finance income mainly represented interest income from bank deposits and fixed deposits. It decreased by approximately S$2,000 during the six months ended 30 June 2020 mainly due to maturity of such fixed deposits during the period.

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$0.2 million from approximately S$0.3 million for the six months ended 30 June 2019 to approximately S$0.5 million for the six months ended 30 June 2020 as a result of the increase in bank and other borrowings from approximately S$25.6 million as at 31 December 2019 to approximately S$29.0 million as at 30 June 2020.

Income tax expense

Income tax expenses increased by approximately S$14,000 for the six months ended 30 June 2020 compared to six months ended 30 June 2019, against a backdrop in the decrease of profit before tax of approximately S$1.8 million for the six months ended 30 June 2019 to loss before income tax of approximately S$4.6 million for the six months ended 30 June 2020.

This was due to the combined effects of (a) the decrease in income tax expense of approximately S$0.2 million for the six months ended 30 June 2020, which is in line with the decrease in revenue and gross profit; and (b) the increase of deferred taxation of approximately S$0.2 million.

(Loss)/profit for the period

As a result of the foregoing, the Group recorded a net loss for the six months ended 30 June 2020 of approximately S$4.9 million as compared to the net profit of approximately S$1.5 million for the six months ended 30 June 2019, representing a decrease of approximately S$6.4 million.

LIQUIDITY AND CAPITAL RESOURCES

The shares of the Company were successfully listed on 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 2020, the Group maintained a healthy liquidity position with net current asset balance and cash and cash equivalents of approximately S$28.6 million (31 December 2019: S$19.1 million) and approximately S$16.1 million (31 December 2019: S$3.4 million) respectively. The increase in cash and cash equivalents of approximately S$12.7 million as at 30 June 2020 compared to 31 December 2019 was mainly due to the listing proceeds received from share offer. 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 2020, the Group had total borrowings (including bank and other borrowings and lease liabilities) of approximately S$30.8 million (31 December 2019: S$27.4 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 2020, our gearing ratio was approximately 61.9% (31 December 2019: 74.1%). The decrease in our gearing ratio as at 30 June 2020 was mainly due to the increase in equity as the shares of the Company have been listed on the Stock Exchange on 12 March 2020.

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 2020, our net debt to total capital ratio was approximately 20.4% (31 December 2019: 38.3%). The decrease in our net debt to total capital ratio was due mainly due to the increase in increase in equity as the shares of the Company have been listed on the Stock Exchange on 12 March 2020.

Capital expenditures

During the six months ended 30 June 2020, the Group incurred capital expenditures of approximately S$1.3 million (six months ended 30 June 2019: S$1.5 million), primarily due to purchases of plant and equipment and motor vehicles.

Contingencies

As at 30 June 2020, our Group had performance bonds of guarantees for completion of projects issued by insurance companies amounting to approximately S$13.7 million (31 December 2019: S$13.7 million).

As at 30 June 2020, 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 (31 December 2019: S$2.0 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 2020, the Group's investment properties of approximately S$1.9 million (31 December 2019: S$1.9 million), property of approximately S$7.9 million (31 December 2019: S$8.4 million) and bank deposits of approximately S$2.0 million (31 December 2019: S$1.0 million) were pledged for bank borrowings.

Future plan for material investments and capital assets

Save as disclosed in 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 2020, the Group did not have any significant investments, acquisitions or disposals, except for the reorganisation of the Group with details set forth in the Company's prospectus dated 25 February 2020 (the "**Prospectus**") and increase in investment in one of our joint ventures, SWG Alliance Pte. Ltd. by approximately S$4.4 million with no change in percentage of ownership interest.

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 shares of the Company have been listed on the Stock Exchange on 12 March 2020, the Group retains portion of listing proceeds from share offer denominated in Hong Kong dollars amounting to approximately HK$4.6 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 30 June 2020, we had 617 full time employees (31 December 2019: 622) who were directly employed by us and based in Singapore.

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.

SIGNIFICANT EVENT AFTER REPORTING PERIOD

Since January 2020, Singapore and Malaysia has reported certain confirmed cases of COVID-19. The Singapore Government has implemented Circuit Breaker from 7 April 2020 to 1 June 2020 and Malaysia government has implemented Movement Control Order ("**MCO**") from 18 March 2020 to 9 June 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 and our operations did not immediately resume to its normal level even such control has since been lifted. Our Group continues to closely monitor the development of the pandemic and evaluate the impact on the financial position and operating results of the Group.

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 2020 is set out below:

	Net proceeds from share offer	Actual use of net proceeds from the date of listing to 30 June 2020	Unutilised balance as at 30 June 2020
	S$'000	*S$'000*	*S$'000*
Strengthening our financial position	10,082	3,436	6,646
Recruitment of staff	2,712	64	2,648
Total	12,794	3,500	9,294

During the six months ended 30 June 2020, all use of proceeds were in accordance with the intentions previously disclosed in the Prospectus and there was no material change or delay in the use of proceeds. As at 30 June 2020, 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 2020.

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 2020, the Company 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.

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 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 during the six months ended 30 June 2020. 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 2020.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's unaudited interim results for the six months ended 30 June 2020 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 financial statements for the six months ended 30 June 2020 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 2020 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, 28 August 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.