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Wei Yuan Holdings Limited

偉源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1343)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Wei Yuan Holdings Limited (the “**Company**”) is pleased to present the consolidated audited results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2022 together with comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December	
		2022	2021
		S\$'000	S\$'000
Revenue	4	102,725	93,203
Cost of sales		(90,527)	(80,029)
Gross profit		12,198	13,174
Other income and other gains, net	5	2,041	2,382
Administrative expenses		(9,757)	(10,133)
Reversal of/(allowance for) impairment of trade receivables and contract assets		656	(913)
Operating profit	6	5,138	4,510
Finance income	7	24	15
Finance costs	7	(1,251)	(1,115)
Share of loss of joint ventures, net of tax	10	(179)	(616)
Profit before income tax		3,732	2,794
Income tax expense	8	(1,059)	(661)
Profit for the year		2,673	2,133

		Year ended 31 December	
		2022	2021
	<i>Notes</i>	S\$'000	S\$'000
Profit for the year attributable to:			
Equity holders of the Company		2,173	1,547
Non-controlling interests		500	586
		<u>2,673</u>	<u>2,133</u>
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		16	34
Share of other comprehensive (loss)/income of a joint venture, net of tax	<i>10</i>	(282)	31
		<u>(266)</u>	<u>65</u>
Other comprehensive (loss)/income for the year, net of tax			
Total comprehensive income for the year attributable to:			
Equity holders of the Company		1,907	1,612
Non-controlling interests		500	586
		<u>2,407</u>	<u>2,198</u>
Earnings per share (expressed in Singapore cents per share)			
Basic and diluted	<i>9</i>	<u>0.20</u>	<u>0.15</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2022	2021
		S\$'000	S\$'000
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		22,885	23,596
Right-of-use assets		3,467	4,058
Investment properties		2,265	1,985
Investments in joint ventures	<i>10</i>	3,623	4,084
Other financial assets		88	87
Deferred income tax assets		49	171
		<hr/>	<hr/>
		32,377	33,981
Current assets			
Inventories		1,135	1,395
Trade receivables	<i>11</i>	8,216	4,855
Contract assets	<i>14</i>	49,951	58,477
Deposits, prepayments and other receivables		2,430	3,102
Pledged bank deposits		1,469	556
Cash and bank and on hand		16,864	15,069
		<hr/>	<hr/>
		80,065	83,454
Current liabilities			
Trade and retention payables	<i>13</i>	14,833	13,126
Accruals, other payables and provisions		4,574	4,787
Contract liabilities	<i>14</i>	550	1,559
Current income tax liabilities		977	568
Bank and other borrowings	<i>12</i>	29,623	37,396
Lease liabilities		522	676
		<hr/>	<hr/>
		51,079	58,112
Net current assets		<hr/> 28,986 <hr/>	<hr/> 25,342 <hr/>
Total assets less current liabilities		<hr/> 61,363 <hr/>	<hr/> 59,323 <hr/>

		As at 31 December	
	<i>Notes</i>	2022	2021
		S\$'000	S\$'000
Non-current liabilities			
Deferred income tax liabilities		131	175
Bank and other borrowings	12	2,424	2,063
Lease liabilities		3,071	3,469
Provisions		645	706
		<u>6,271</u>	<u>6,413</u>
Net assets		<u>55,092</u>	<u>52,910</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		1	267
Retained earnings		24,136	21,963
		<u>52,526</u>	<u>50,619</u>
Non-controlling interests		2,566	2,291
Total equity		<u>55,092</u>	<u>52,910</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION OF THE GROUP

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

The Company is an investment holding company. The Company and its subsidiaries (the “**Group**”) are principally engaged in carrying out civil engineering projects 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 consolidated financial statements are presented in Singapore Dollar (“**S\$**”). All values are rounded to the nearest thousand except when otherwise indicated.

2 BASIS OF PREPARATION

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

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and the life insurance policy classified as financial assets at fair value through profit or loss, which are carried at fair value. The directors of the Company considered Hong Kong dollars (“**HK\$**”) as the functional currency of the Company since the business transactions, in terms of operating, investing and financing activities of the Company itself are mainly denominated in HK\$.

Adoption of amendments to IFRSs

In the current year, the Group has adopted for the first time the following amendments to IFRSs issued by IASB, which are relevant and mandatorily effective for the Group’s consolidated financial statements for the accounting period beginning on 1 January 2022:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

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

New or amendments to IFRSs not yet effective

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

IFRS 17 (including the October 2020 and February 2022 Amendments to IFRS 17)	Insurance Contracts ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to International Interpretation 5 ³
Amendments to IAS 1	Non-Current Liabilities with Covenants ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

The Group has already commenced an assessment of the related impact to the Group of the above new or 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 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.

During the year ended 31 December 2022, there were 2 (2021: 3) customers which individually contributed to over 10% of the Group's total revenue. Revenue generated from these customers during the years ended 31 December 2022 and 2021 are summarised below:

	2022 S\$'000	2021 S\$'000
Customer 1	48,149	37,272
Customer 2	21,579	21,707
Customer 3 (<i>Note</i>)	<u>6,624</u>	<u>14,035</u>

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

4 REVENUE

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

	2022 S\$'000	2021 S\$'000
Revenue from contract works	91,313	84,641
Road milling and resurfacing services	7,410	6,436
Ancillary support and other services	2,393	945
Sale of goods and milled waste	<u>1,609</u>	<u>1,181</u>
	<u>102,725</u>	<u>93,203</u>
Revenue recognised:		
Over-time	101,116	92,022
At point in time	<u>1,609</u>	<u>1,181</u>
	<u>102,725</u>	<u>93,203</u>

5 OTHER INCOME AND OTHER GAINS, NET

	2022 S\$'000	2021 S\$'000
Other income:		
Rental income from investment properties	67	31
Rental income from a property (<i>Note (i)</i>)	328	155
Gain on early termination on lease	–*	4
Government grants (<i>Note (ii)</i>)	954	1,670
Waiver of other borrowing granted	–	98
Workplace safety and health awards	66	79
Civil engineering and construction related works excellence cash award received from customer	100	–
Others	75	26
	<u>1,590</u>	<u>2,063</u>
Other gains, net:		
Gain/(loss) on foreign exchange difference, net	–*	–*
Gain on disposal of property, plant and equipment, net	182	159
Loss on write off of property, plant and equipment, net	(12)	(1)
Fair value gain on investment properties	280	160
Changes in cash surrender value of key management insurance contracts	1	1
	<u>451</u>	<u>319</u>
	<u><u>2,041</u></u>	<u><u>2,382</u></u>

* Less than S\$1,000

Notes:

- (i) A property acquired during the year ended 31 December 2021 comprised a portion that was held to earn rentals. The management views that the portion could not be sold separately and the portion held for rentals income is insignificant. The property is mainly used as warehouse of the Group, therefore it is classified as property, plant and equipment.
- (ii) For the year ended 31 December 2022, government grants mainly included Foreign Worker Levy Rebate of approximately S\$634,000 (2021: S\$803,000) from the Singapore Government for supporting the development of construction industry and was ceased 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 (2021: same).

6 OPERATING PROFIT

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

	2022	2021
	S\$'000	S\$'000
Raw material and consumables used (<i>Note (a)</i>)	12,268	11,993
Subcontracting charges (<i>Note (a)</i>)	38,106	29,747
Site expenses (<i>Note (a)</i>)	3,462	3,645
Auditor's remuneration:		
— Audit services	213	203
— Non-audit services (<i>Note (b)</i>)	–	42
Depreciation of property, plant and equipment (<i>Note (a)</i>)	5,346	5,524
Depreciation of right-of-use assets (<i>Note (a)</i>)	717	810
Employee benefits expenses, including directors' emoluments (<i>Note (a)</i>)	25,830	24,637
Insurance expenses (<i>Note (a)</i>)	1,354	1,122
Expenses relating to short term leases and low value assets (<i>Note (a)</i>)	70	4
(Reversal of)/provision for onerous contract (<i>Note (a)</i>)	(310)	310
	<u> </u>	<u> </u>

Notes:

- (a) Amounts are included in cost of sales.
- (b) Non-audit services for the year ended 31 December 2021 represented the agreed-upon-procedures services provided relating to interim financial report of the Company.

7 FINANCE INCOME AND FINANCE COSTS

	2022	2021
	S\$'000	S\$'000
Finance income		
Interests from:		
— Bank deposits	19	15
— Pledged bank deposits	5	–*
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
Finance costs		
Interests on:		
— Bank and other borrowings	1,074	959
— Lease liabilities	155	135
— Unwinding of discount of reinstatement costs	22	21
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

* Less than S\$1,000

8 INCOME TAX EXPENSE

	2022 S\$'000	2021 S\$'000
Current tax		
— Current year — Singapore (<i>Note (d)</i>)	896	567
— Under/(over) provision in prior year	85	(15)
Deferred tax		
— Current year	78	109
Income tax expense	<u>1,059</u>	<u>661</u>

Notes:

- (a) Under the current laws of the 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 the BVI has been made as the Company's subsidiaries had no assessable income in the BVI during the year ended 31 December 2022 (2021: Nil).
- (c) Hong Kong Profits Tax has not been provided for as the Company and its subsidiaries had no assessable profit in Hong Kong during the year ended 31 December 2022 (2021: Nil).
- (d) The Group mainly operates in Singapore. Income tax had been provided at the applicable tax rate of 17% (2021: Same) of Singapore on the estimated assessable profits during the year ended 31 December 2022.

9 EARNINGS PER SHARE

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

	2022	2021
Earnings:		
Profit for the year attributable to the equity holders of the Company (<i>S\$'000</i>)	<u>2,173</u>	<u>1,547</u>
Number of shares:		
Weighted average number of ordinary shares (<i>in thousand</i>)	<u>1,064,000</u>	<u>1,064,000</u>

For the years ended 31 December 2022 and 2021, the number of shares used for the purpose of calculating basic earnings per share represents the weighted average of 1,064,000,000 ordinary shares in issue during the year.

Diluted earnings per share was the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the year ended 31 December 2022 (2021: Same).

10 INVESTMENTS IN JOINT VENTURES

	2022 S\$'000	2021 S\$'000
At 1 January	4,084	4,669
Share of loss for the year, net of tax	(179)	(616)
Share of other comprehensive (loss)/income for the year, net of tax	(282)	31
At 31 December	<u>3,623</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 31 December	
		2022	2021
SWG Alliance Pte. Ltd. (“SWG”) and its subsidiaries (Note i)	Singapore	40	40
Futurus Construction Pte. Ltd. (Note ii)	Singapore	40	40

Notes:

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

11 TRADE RECEIVABLES

	2022 S\$'000	2021 S\$'000
Trade receivables		
— Third parties	8,386	5,166
— Related party	4	—
	<u>8,390</u>	<u>5,166</u>
Less: Allowance for impairment of trade receivables	(174)	(311)
Trade receivables — net	<u>8,216</u>	<u>4,855</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:

	2022	2021
	S\$'000	S\$'000
Less than 30 days	6,932	3,107
31–60 days	701	758
61–90 days	141	806
91–120 days	30	44
121–365 days	288	196
More than 1 year	298	255
	<u>8,390</u>	<u>5,166</u>

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

	Lifetime ECL — not credit impaired	Lifetime ECL — credit impaired	Total
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
As at 1 January 2021	38	212	250
Impairment made	–	268	268
Impairment reversed	(18)	(34)	(52)
Impairment utilised	–	(155)	(155)
	<u>–</u>	<u>(155)</u>	<u>(155)</u>
As at 31 December 2021 and 1 January 2022	20	291	311
Impairment made	32	17	49
Impairment reversed	–	(185)	(185)
Impairment utilised	–	(1)	(1)
	<u>–</u>	<u>(1)</u>	<u>(1)</u>
As at 31 December 2022	<u>52</u>	<u>122</u>	<u>174</u>

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

12 BANK AND OTHER BORROWINGS

	2022	2021
	S\$'000	S\$'000
Bank overdrafts	–	1,610
Borrowings from bank — secured	31,256	37,849
Borrowings from non-bank financial institution — secured	791	–
	<u>32,047</u>	<u>39,459</u>

As at 31 December 2022, the Group's bank borrowings with carrying amount of approximately S\$13,861,000 (2021: S\$20,493,000) were variable-rate borrowings which carried annual interest ranging from 1.44% to 6.40% (2021: 1.42% to 3.10%) per annum.

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

	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
Within 1 year or on demand	29,623	37,396
After 1 year but within 2 years	1,265	1,055
After 2 years but within 5 years	1,159	1,008
	<u>32,047</u>	<u>39,459</u>

As at 31 December 2022, the Group's bank borrowings were secured by the investment properties, self-occupied properties, carrying amount of motor vehicles and plant and machinery held under hire purchase commitments, pledged bank deposits and corporate guarantee by the Company (2021: Same).

The weighted average interest rate was 2.86% (2021: 2.29%) as at 31 December 2022.

During the year ended 31 December 2021, a third party agreed to waive the repayment of the borrowing amounted to S\$98,000 owing by a subsidiary of the Group and the amount was recognised as an income in the consolidated statement of comprehensive income.

13 TRADE AND RETENTION PAYABLES

The average credit period granted by creditors is 30 days.

	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
Trade payables		
— Third parties	14,612	13,081
— Related parties	56	30
	<u>14,668</u>	13,111
Retention payable		
— Third party	165	15
	<u>14,833</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:

	2022	2021
	S\$'000	S\$'000
Less than 30 days	11,906	10,755
31–60 days	1,025	768
61–90 days	410	520
91–120 days	455	399
121–365 days	815	635
More than 1 year	57	34
	<u>14,668</u>	<u>13,111</u>

As at 31 December 2022, retention payables of approximately S\$165,000 (2021: S\$15,000) were expected to be settled within twelve months after the end of the reporting period.

14 CONTRACT ASSETS/(LIABILITIES)

	2022	2021
	S\$'000	S\$'000
Retention sum for contract works	1,059	875
Unbilled revenue of contracts	49,194	58,423
	50,253	59,298
Less: Allowance for impairment	(302)	(821)
Contract assets	<u>49,951</u>	<u>58,477</u>
Contract liabilities	<u>(550)</u>	<u>(1,559)</u>
Retention held by customers expected to be settled:		
To be recovered within 12 months	<u>1,059</u>	<u>875</u>

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

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

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

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

15 SHARE CAPITAL

	Par value <i>HK\$</i>	<i>No. of shares</i>	Share capital <i>HK\$'000</i>
Authorised:			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<u>0.01</u>	<u>2,000,000,000</u>	<u>20,000</u>
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>S\$'000</i>
Issued and fully paid:			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<u>1,064,000,000</u>	<u>10,640</u>	<u>1,915</u>

16 DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2022 (2021: Nil).

17 EVENTS AFTER THE REPORTING PERIOD

There are no significant events affecting the Group which have occurred after the year ended 31 December 2022 and up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The civil engineering utilities market in Singapore has recovered close to pre-pandemic level, signalling that civil engineering utilities activity are progressing at a steady pace. According to advanced estimates announced by the Ministry of Trade and Industry Singapore (“MTI”) on 13 February 2023, the construction sector posted growth of 6.7% year-on-year in 2022, extending the 20.5% expansion in 2021, supported by both public and private sector construction works. The demand for construction across Singapore in 2023 is expected to be stable and driven by the public sector. In addition, the global supply situation continues to stabilise amidst softening global demand conditions. Accordingly, global commodity prices have eased from 2022 levels, although they remain elevated with ongoing Russia-Ukraine war.

BUSINESS REVIEW AND PROSPECTS

The core business and revenue structure of the Group have remained unchanged for the year ended 31 December 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.

While the civil engineering industry is expected to grow to pre-pandemic level, the Group expects operating conditions to remain challenging in 2023. Although the Group has recorded a revenue growth of approximately 10.2% from approximately S\$93.2 million for the year ended 31 December 2021 to approximately S\$102.7 million for the year ended 31 December 2022, there are still several challenges ahead which include supply chain pressures. 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 affected the operations of the Group in Singapore.

Business strategies of the Group remained unchanged for 2023. Looking ahead, the Group will (i) closely monitor the pace of market recovery from the COVID-19 and assess its impact on its operations continuously; (ii) continue to leverage its solid track record and proven expertise to tender for public and private sector projects; (iii) prioritise cash conservation; (iv) adopt tighten cost control measures; (v) actively participate in tendering for new projects to strengthen the Group’s market position; and (vi) exercise caution when exploring business opportunities during this period.

ONGOING PROJECTS

As at 31 December 2022, the Group had 40 ongoing projects, including 36 ongoing power cable installation projects and four telecommunication cable installation projects with an aggregated contract sum of approximately S\$267.0 million, of which approximately S\$164.2 million has been recognised as revenue up to 31 December 2022 (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, of which approximately S\$173.3 million has been recognised as revenue). The remaining balance will be recognised as the Group’s revenue in subsequent periods in accordance with the respective stage of completion.

FINANCIAL REVIEW

Below is the financial review for the year ended 31 December 2022 (“FY2022”) compared to year ended 31 December 2021 (“FY2021”).

Revenue

The following table sets out the breakdown of the Group’s revenue by goods and services types for FY2022 and FY2021.

	FY2022	FY2021
	S\$’000	S\$’000
Revenue from contract works		
— Power	85,548	80,122
— Telecommunication	5,765	4,519
Subtotal	91,313	84,641
Road milling and resurfacing services	7,410	6,436
Ancillary support and other services	2,393	945
Sales of goods and milled waste	1,609	1,181
Total	102,725	93,203

Our revenue increased by approximately S\$9.5 million from approximately S\$93.2 million in FY2021 to approximately S\$102.7 million in FY2022, representing an increase of approximately 10.2%. This increase was mainly attributable to:

- (i) increase in revenue from contract works by approximately S\$6.7 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\$5.4 million was mainly due to substantial progress of projects with revenue recognised for FY2022 compared to FY2021; and (c) the increase in revenue from telecommunication cable installation projects by approximately S\$1.3 million was due to substantial progress of projects with revenue recognised for FY2022 compared to FY2021;
- (ii) increase in revenue from road milling and resurfacing services by approximately S\$1.0 million due to reason elaborated in (i)(a) above;
- (iii) increase in revenue from ancillary support and other services by approximately S\$1.4 million due to increased revenue from leasing of vehicles; and
- (iv) increase in revenue from sales of goods and milled waste by approximately S\$0.4 million.

Cost of sales

Our cost of sales increased by approximately S\$10.5 million from approximately S\$80.0 in FY2021 to approximately S\$90.5 million in FY2022, representing an increase of approximately 13.1%. The more-than proportionate increase in cost of sales as compared to the increase in revenue was mainly attributable to the increase in subcontracting charges incurred for certain projects undertaken during the year.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately S\$1.0 million from approximately S\$13.2 million in FY2021 to approximately S\$12.2 million in FY2022, while the Group's gross profit margin decreased from approximately 14.1% in FY2021 to approximately 11.9% in FY2022. The decrease in gross profit and gross profit margin was mainly due to the more-than-proportionate increase in cost of sales of our Group attributable to reasons as elaborated above.

Other income and other gains, net

Other income and other gains, net decreased by approximately S\$0.4 million from approximately S\$2.4 million in FY2021 to approximately S\$2.0 million in FY2022 was mainly attributable to the decrease in COVID-19 related government grants received by the Group due to the gradual recovery of the construction industry for FY2022.

Administrative expenses

Our administrative expenses decreased by approximately S\$0.3 million from approximately S\$10.1 million in FY2021 to approximately S\$9.8 million in FY2022. Such decrease was mainly attributable to (a) the decrease in depreciation of property, plant and equipment of approximately S\$0.2 million; and (b) the decrease in employee benefit costs of approximately S\$0.1 million.

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

An allowance for impairment of trade receivables and contract assets turned from approximately S\$0.9 million for FY2021 to reversal of impairment of trade receivables and contract assets of approximately S\$0.7 million for FY2022. Such change was mainly attributable to (a) reversal of allowance for expected credit loss of contract assets by approximately S\$1.2 million for FY2022; and (b) decrease in allowance for impairment of trade receivables by approximately S\$0.4 million in relation to decrease in trade receivable that were aged over 150 days for FY2022.

Finance income

The finance income was relatively stable at approximately S\$24,000 and S\$15,000 for FY2022 and FY2021, respectively, which mainly represented interest income from bank deposits and pledged bank deposits.

Finance costs

The finance costs represented interest expense relating to bank and other borrowings, lease liabilities and unwinding of discount of reinstatement costs. It increased by approximately S\$0.2 million from approximately S\$1.1 million in FY2021 to approximately S\$1.3 million in FY2022, mainly due to higher average interest rates and increase in average bank borrowings in FY2022.

Income tax expense

Income tax expense increased by approximately S\$0.4 million in FY2022 as compared to FY2021. Such increase was mainly due to the increase in assessable profit.

Profit for the year

As a result of the foregoing, our Group recorded a net profit of approximately S\$2.7 million in FY2022 as compared to the net profit of approximately S\$2.1 million in FY2021, representing an increase of approximately S\$0.6 million.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for FY2022 (FY2021: Nil).

On 29 December 2022, Road Builders Singapore Pte. Ltd., a partly-owned subsidiary of the Company declared a dividend of S\$225,000 to the non-controlling shareholders, refers to Mr. Ng Choon Tiong and Mr. Ng Choon Hoe, which was settled on 30 December 2022 for the distribution of the profit of the partly-owned subsidiary.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 March 2020 by way of share offer 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 31 December 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 31 December 2022, the Group maintained a healthy liquidity position with net current asset balance and cash at bank and on hand of approximately S\$29.0 million (31 December 2021: S\$25.3 million) and approximately S\$16.9 million (31 December 2021: S\$15.1 million) respectively. The Group’s cash at bank and on hand 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 31 December 2022, the Group had total borrowings (including bank and other borrowings and lease liabilities) of approximately S\$35.6 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 this announcement.

Gearing ratio

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

As at 31 December 2022, our gearing ratio was approximately 64.7% (31 December 2021: 82.4%). The decrease in our gearing ratio as at 31 December 2022 was mainly due to the decrease in bank and other borrowings and lease liabilities by approximately S\$8.0 million as at 31 December 2022 as compared to 31 December 2021.

Net debt to total capital ratio

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

As at 31 December 2022, our net debt to total capital ratio was approximately 23.9% (31 December 2021: 34.6%). The decrease in our net debt to total capital ratio as at 31 December 2022 was mainly due to the decrease in bank and other borrowings and lease liabilities.

Pledge of assets

As at 31 December 2022, the Group's investment properties of approximately S\$2.3 million (31 December 2021: S\$2.0 million), self-occupied properties of approximately S\$14.1 million (31 December 2021: S\$15.4 million), carrying amounts of motor vehicles and plant and machinery held under hire purchase commitments of approximately S\$2.9 million and S\$2.4 million (31 December 2021: S\$2.5 million and S\$2.2 million), respectively, and bank deposits of approximately S\$1.5 million (31 December 2021: S\$0.6 million) were pledged for bank and other borrowings.

CAPITAL EXPENDITURES AND COMMITMENTS

For FY2022, the Group incurred capital expenditures of approximately S\$4.7 million (FY2021: S\$13.4 million), primarily due to purchases of property, plant and equipment and motor vehicles.

As at 31 December 2022, our Group had capital expenditure contracted for as end of the reporting period but not recognised in the consolidated financial statements in respect of purchases of property, plant and equipment and motor vehicles of approximately S\$0.2 million (31 December 2021: S\$0.3 million).

CONTINGENCIES

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

As at 31 December 2022, our Group had security bonds made under section 12 of Employment of Foreign Manpower (Work Passes) Regulations amounting to approximately S\$1.5 million (31 December 2021: S\$1.7 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any plans for material investments and capital assets as at 31 December 2022.

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

For FY2022, the Group did not have any significant investment 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 and other borrowings, lease liabilities, trade and retention payables and other payables excluding non-financial liabilities. Our management manages such exposure to ensure appropriate measures are implemented on a timely and effective manner.

FOREIGN EXCHANGE EXPOSURE

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

However, as the shares of the Company have been listed on the Stock Exchange on 12 March 2020, the Group retains Hong Kong dollars amounting to approximately HK\$0.1 million as at 31 December 2022 that are exposed to foreign currency risk. 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 31 December 2022, we had 618 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 in FY2022 amounted to approximately S\$25.8 million (FY2021: S\$24.6 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.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events affecting the Company and its subsidiaries which have occurred after the year ended 31 December 2022 and up to the date of this announcement.

CORPORATE GOVERNANCE

For FY2022, 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 the 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 for FY2022. The Company will from time to time reiterate and provide reminders to the Directors regarding the procedures, rules and requirements to be complied with by them in relation to the Directors' dealings in securities of the Company.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 18 February 2020 as an additional incentive to employees (full-time and part-time), directors, consultants, advisers, substantial shareholders, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the share option scheme since its adoption and during the year ended 31 December 2022, and there is no outstanding share option as at 31 December 2022.

COMPETING INTERESTS

The controlling shareholders, the Directors and their respective close associates confirmed that each of them does not have any interest in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the year ended 31 December 2022, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for FY2022.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's audited financial results for FY2022 and the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with the management of the Company including a review of the audited consolidated financial statements for FY2022 with no disagreement by the audit committee of the Company.

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

The figures in respect of the Group's consolidated of financial position as at 31 December 2022, consolidated statement of comprehensive income for FY2022 and the related notes thereto as at 31 December 2022 and as set out in the preliminary announcement have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by Moore Stephens CPA Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at <http://www.weiyanholdings.com>. The annual report of the Company for FY2022 and the notice of the annual general meeting will be dispatched to the shareholders of the Company and made available on the websites of the Stock Exchange and the Company in due course.

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

Singapore, 29 March 2023

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.