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GT STEEL CONSTRUCTION GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8402)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of GT Steel Construction Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (1) the information contained in this announcement is accurate and complete in all material respects and not misleading and deceptive; and (2) there are no other matters the omission of which would make any statement herein or this announcement misleading.

The original announcement is prepared in the English language. This announcement is translated into Chinese. In the event of any inconsistencies between the Chinese and the English version, the latter shall prevail.

INTERIM RESULTS

The board of Directors (the “Board”) of the Company (together with its subsidiaries, the “Group”) is pleased to present the unaudited consolidated results of the Group for the three months and six months ended 30 June 2018, together with the unaudited comparative figures for the corresponding period in 2017, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR EXPENSE

For the three months and six months ended 30 June 2018

	Note	Three months ended 30 June		Six months ended 30 June	
		2018 S\$ (Unaudited)	2017 S\$ (Unaudited)	2018 S\$ (Unaudited)	2017 S\$ (Unaudited)
Revenue	3	11,154,183	4,822,560	17,503,457	8,311,365
Cost of services		(7,880,455)	(3,475,347)	(12,477,166)	(6,051,300)
Gross profit		3,273,728	1,347,213	5,026,291	2,260,065
Other income	4A	42,250	55,836	133,608	125,636
Other gains	4B	—	131	—	2,121
Selling expenses		(109,039)	(35,745)	(142,122)	(66,912)
Administrative expenses		(578,574)	(585,043)	(1,252,786)	(1,157,218)
Other expenses	5	—	(2,442,455)	—	(2,718,498)
Finance costs	6	(34,966)	(50,746)	(57,087)	(81,778)
Profit (Loss) before taxation	7	2,593,399	(1,710,809)	3,707,904	(1,636,584)
Income tax expense	8	(429,842)	(171,307)	(590,782)	(183,925)
Profit (Loss) and total comprehensive income (expense) for the period		<u>2,163,557</u>	<u>(1,882,116)</u>	<u>3,117,122</u>	<u>(1,820,509)</u>
Basic earnings (loss) per share (S cents)	10	<u>0.45</u>	<u>(0.52)</u>	<u>0.65</u>	<u>(0.51)</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

		As at 30 June 2018 <i>S\$</i> (Unaudited)	31 December 2017 <i>S\$</i> (Audited)
	<i>Note</i>		
Non-current assets			
Property, plant & equipment	13	1,636,452	1,891,692
Investment properties		2,711,574	2,738,208
		<u>4,348,026</u>	<u>4,629,900</u>
Current assets			
Trade receivables	14	19,517,769	16,607,505
Deposits, prepayments and other receivables	15	2,951,057	241,751
Contract assets		1,238,298	5,133,483
Bank balances and cash		9,651,892	11,229,883
		<u>33,359,016</u>	<u>33,212,622</u>
Current liabilities			
Trade and other payables	16	10,769,440	12,311,592
Amounts due to a director		—	100,994
Amounts due to ultimate holding company		—	80,526
Contract liabilities		—	770,810
Obligations under finance leases		136,753	137,141
Borrowings		2,202,449	3,029,919
Income tax payable		970,396	752,845
		<u>14,079,038</u>	<u>17,183,827</u>
Net current assets		<u>19,279,978</u>	<u>16,028,795</u>
Total assets less current liabilities		<u>23,628,004</u>	<u>20,658,695</u>

		As at 30 June 2018 S\$ (Unaudited)	As at 31 December 2017 S\$ (Audited)
Non-current liabilities			
Obligations under finance leases		255,525	321,270
Borrowings		1,227,314	1,309,382
Deferred tax liabilities		71,575	71,575
		<u>1,554,414</u>	<u>1,702,227</u>
Net assets		<u>22,073,590</u>	<u>18,956,468</u>
Equity			
Share capital	17	827,586	827,586
Share premium		8,613,061	8,613,061
Merger reverses		2,999,983	2,999,983
Accumulated profits		9,632,960	6,515,838
		<u>22,073,590</u>	<u>18,956,468</u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Share Capital <i>S\$</i>	Share Premium <i>S\$</i>	Merger Reserves <i>S\$</i>	Accumulated Profits (loss) <i>S\$</i>	Total <i>S\$</i>
At 1 January 2017 (audited)	3,000,000	—	—	6,927,032	9,927,032
Loss and total comprehensive expense for the period	—	—	—	(1,820,509)	(1,820,509)
Issue of share	1	—	—	—	1
	<u>3,000,001</u>	<u>—</u>	<u>—</u>	<u>5,106,523</u>	<u>8,106,524</u>
At 30 June 2017 (unaudited)	<u>3,000,001</u>	<u>—</u>	<u>—</u>	<u>5,106,523</u>	<u>8,106,524</u>
At 1 January 2018 (audited)	827,586	8,613,061	2,999,983	6,515,838	18,956,468
Profit and total comprehensive income for the period	—	—	—	3,117,122	3,117,122
	<u>827,586</u>	<u>8,613,061</u>	<u>2,999,983</u>	<u>9,632,960</u>	<u>22,073,590</u>
At 30 June 2018 (unaudited)	<u>827,586</u>	<u>8,613,061</u>	<u>2,999,983</u>	<u>9,632,960</u>	<u>22,073,590</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	<i>S\$</i>	<i>S\$</i>
	(Unaudited)	(Unaudited)
Net cash (used in) from operating activities	(275,240)	913,154
Net cash (used in) from investing activities	(269,990)	135,686
Net cash used in financing activities	(1,032,761)	<u>(1,104,727)</u>
Net decrease in cash and cash equivalents	(1,577,991)	(55,887)
Cash and cash equivalents at beginning of the period	11,229,883	<u>786,337</u>
Cash and cash equivalents at end of the period	<u>9,651,892</u>	<u>730,450</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<u>9,651,892</u>	<u>730,450</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

1. GENERAL

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 1 February 2017. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business is at 64 Woodlands Industrial Park E9, Singapore 757833. The shares of the Company are listed on the GEM of the Stock Exchange with effect from 17 November 2017.

Its parent is Broadbville Limited (“Broadbville”), incorporated in the British Virgin Islands (“BVI”), which is also the Company’s ultimate holding company. Its ultimate controlling party is Mr. Ong Cheng Yew (“Mr. Ong”), who is the Chairman and Managing Director of the Company.

The Company is an investment holding company and its operating subsidiaries, are engaged in the designing, supplying, fabricating and erecting structural steel-works for the construction of buildings including technological plants, industrial buildings, commercial buildings, government institutions and residential buildings and provision of pre-fabricated steel structures or on-site installation services.

The interim financial information is presented in Singapore Dollar (“S\$” or “\$”), which is also the functional currency of the Company.

The unaudited consolidated interim financial information was approved by the Board of Directors of the Company on 13 August 2018.

2. GROUP REORGANISATION AND BASIS OF PREPARATION

To effect the group reorganisation (“Group Reorganisation”) for the purpose of the listing of the Company’s shares on GEM of the Stock Exchange:

- (i) On 22 December 2016, Broadbville Limited (“Broadbville”, the Company’s holding company which is not forming part of the Group) was incorporated in the British Virgin Islands (“BVI”) with limited liability and is authorized to issue a maximum of 50,000 shares of a single class, each with a par value of US\$1, of which 1 fully paid share had been allotted and issued at par to Mr. Ong Cheng Yew on 17 January 2017.
- (ii) On 28 November 2016, Chirton Investments Limited (“Chirton Investments”) was incorporated in the BVI with limited liability and is authorized to issue a maximum of 50,000 shares of a single class each with a par value of US\$1, of which 1 fully paid share has been allotted and issued at par to Broadbville on 17 January 2017.
- (iii) On 1 February 2017, the Company was incorporated as an exempted company in the Cayman Islands with limited liability and the initial one nil-paid subscriber share was issued to the initial subscriber and transferred to Broadbville at nil-paid on the same day. The authorized share capital of the Company was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each at the time of incorporation.
- (iv) On 16 June 2017, Mr. Ong Chen Yew transferred the entire issued share capital of G-Tech Metal to Chirton Investments for a consideration which was settled by allotting and issuing one share in Chirton Investments, credited as fully paid, to Broadbville at the direction of Mr. Ong Cheng Yew.

- (v) On 21 June 2017, the authorized share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 shares of HK\$0.01 each by the creation of an additional 4,962,000,000 shares.
- (vi) On 21 June 2017, in consideration of Broadbville transferring the entire issued share capital of Chirton Investments to the Company, the Company allotted and issued 9,999 new shares, credited as fully paid, to Broadbville. After completion of the above transaction, G-Tech Metal Pte Ltd became an indirectly wholly-owned subsidiary of the Company.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared to include the financial statements of the companies now comprising the Group as if the group structure upon the completion of the Group Reorganisation has been in existence throughout the period, or since their respective dates of incorporation or establishment where this is a shorter period.

These unaudited consolidated financial statements for the six months ended 30 June 2018 should be read in conjunction with the audited financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The accounting policies and methods of computation used in the preparation of these unaudited consolidated financial results are consistent with those used in the annual financial statements for the year ended 31 December 2017 except for the adoption of the following new IFRSs that are effective for financial period beginning on 1 January 2018 and are relevant to its operations.

IFRS 15 Revenue from contracts with customers
IFRS 9 Financial Instruments

The adoption of these new IFRSs did not have any significant impact on the financial statements of the Group except for the adoption of IFRS 15.

IFRS 15 is effective for financial years beginning on or after 1 January 2018. In accordance with the requirements of IFRS 1, the Group will adopt IFRS 15 retrospectively.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer.

As a result of the adoption of IFRS 15, any amounts due from customers have been reclassified as contract assets. And any amounts due to customers have been reclassified as contract liabilities.

A contract asset represents the Group’s right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Impact on the comparatives for the period ended 30 June 2018 Financial Statements.

The financial impact of adopting IFRS 15 is as follows:

Group Balance Sheet	30 June 2018	31 December 2017
	S\$	S\$
	(Unaudited)	(Restated)
Decrease in trade receivables due to reclassification of retention receivables to contract assets	(3,701,924)	(4,028,837)
Increase in contract assets	3,701,924	4,028,837
Net Current Assets	<u>—</u>	<u>—</u>

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from the provision of construction services, installation and auxiliary services provided by the Group to external customers. The Group's operations is mainly derived from Singapore during the financial period.

Information is reported to the Executive Directors, being the chief operating decision maker ("CODM") of the Group, for the purposes of resource allocation and performance assessment. The CODM reviews revenue by category, i.e. provision of services comprising design, supply, fabrication and erection of structural steel-works for the construction of buildings, including technological plants, industrial buildings, commercial buildings, government institutions and residential buildings in Singapore and Malaysia and other installation and auxiliary services by the Group to external customers for the respective reporting period. No analysis of the Group's results, assets and liabilities is regularly provided to the CODM for review. Accordingly, only entity-wide disclosures on services, major customers and geographical information are presented in accordance with IFRS 8 *Operating Segments*.

An analysis of the Group's revenue for the period is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from:				
Provision of structural steelworks services	<u>11,154,183</u>	4,822,560	<u>17,503,457</u>	8,311,365
	<u>11,154,183</u>	4,822,560	<u>17,503,457</u>	8,311,365

Major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group are as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Customer I	8,937,620	N/A*	8,937,620	N/A*
Customer II	—	N/A*	2,250,988	N/A*
Customer III	N/A*	—	N/A*	903,166

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective reporting period.

Geographical information

Revenue based on geographical location of customers are as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Singapore	10,595,330	4,822,560	15,847,988	8,311,365
Malaysia	558,853	—	1,655,469	—
	<u>11,154,183</u>	<u>4,822,560</u>	<u>17,503,457</u>	<u>8,311,365</u>

4. A. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Insurance claim receipt	—	2,053	7,557	3,887
Government grants	—	3,739	49,841	25,131
Rental income	31,743	32,207	63,543	65,583
Sundry income	10,507	17,837	12,667	31,035
	<u>42,250</u>	<u>55,836</u>	<u>133,608</u>	<u>125,636</u>

B. OTHER GAINS

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment	—	131	—	2,121
	<u>—</u>	<u>131</u>	<u>—</u>	<u>2,121</u>

5. OTHER EXPENSES

This included listing expenses of \$2,442,455 and \$2,718,498 for the three months and six months ended 30 June 2017 respectively, all unaudited.

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on:				
Bank borrowings				
— wholly repayable within five years	19,817	22,304	26,664	40,358
— not wholly repayable within five years	10,291	7,795	20,341	15,580
Finance lease	4,858	20,647	10,082	25,840
	<u>34,966</u>	<u>50,746</u>	<u>57,087</u>	<u>81,778</u>

7. PROFIT (LOSS) BEFORE TAXATION

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit (Loss) for the period has been arrived at after charging:				
Listing expenses	—	2,442,455	—	2,718,498
Depreciation of property, plant and equipment:				
— Recognised in cost of services	115,027	114,811	229,554	230,423
— Recognised in administrative expenses	55,857	81,013	114,156	159,959
Depreciation of investment properties	13,317	13,317	26,633	26,633
Directors' remuneration	69,492	54,120	139,976	108,240
Other staff costs				
— Salaries and wages	740,416	748,081	1,424,748	1,541,056
— Defined contribution plans	23,379	20,331	65,318	40,867
— Other staff plans	18,769	6,696	36,113	15,688
Total staff costs	<u>852,056</u>	<u>829,228</u>	<u>1,666,155</u>	<u>1,705,851</u>
Cost of materials recognised as expenses	3,749,894	1,059,320	4,234,611	2,167,400
Subcontractor costs recognised as expenses	<u>3,116,437</u>	<u>1,243,815</u>	<u>6,382,046</u>	<u>1,689,457</u>

8. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Tax expense comprises:				
Current tax				
— Singapore corporate income tax ("CIT")	<u>429,842</u>	<u>171,307</u>	<u>590,782</u>	<u>183,925</u>
	<u>429,842</u>	<u>171,307</u>	<u>590,782</u>	<u>183,925</u>

Singapore CIT is calculated at 17% of the estimated assessable profit eligible for CIT rebate of 40%, capped at S\$15,000 for the Year of Assessment 2018, and adjusted to 20%, capped at S\$10,000 for the Year of Assessment 2019. G-Tech Metal can also enjoy 75% tax exemption on the first S\$10,000 of normal chargeable income and a further 50% tax exemption on the next S\$290,000 of normal chargeable income.

9. DIVIDEND

The Directors do not recommend the payment of dividend for the six months ended 30 June 2017 and 2018.

10. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company and the weighted average number of shares in issue.

No diluted earnings per share is presented for both periods as there was no potential ordinary share in issue for both periods.

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit (Loss) attributable to the owners of the company (S\$)	2,163,557	(1,882,116)	3,117,122	(1,820,509)
Weighted average number of ordinary shares in issue	480,000,000	360,000,000	480,000,000	360,000,000
Basic earnings (loss) per share (S cents)	<u>0.45</u>	<u>(0.52)</u>	<u>0.65</u>	<u>(0.51)</u>

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the company and the weighted average number of ordinary shares in issue throughout the three months and six months ended 30 June 2018. The number of shares for the purpose of basic earnings per share for three months and six months ended 30 June 2017 is based on the assumption that 360,000,000 ordinary shares of the Company are in issue and issuable, comprising an aggregate of 10,000 ordinary shares, 359,990,000 ordinary shares issuable upon capitalisation of share premium, as if the Group Reorganisation was effective on 1 January 2017.

No adjustment has been made to the basic earnings per share presented for the six months ended 30 June 2017 and 2018 as the Group had no potentially diluted ordinary shares in issue during those periods.

11. RELATED PARTY TRANSACTIONS

Apart from disclosure elsewhere in the financial statements, the Group entered into the following transactions with related parties during the period:

The remuneration of directors and other members of key management during the period were as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Short term benefits	115,604	88,950	231,208	176,993
Post-employment benefits	10,800	10,800	21,600	21,570
	<u>126,404</u>	<u>99,750</u>	<u>252,808</u>	<u>198,563</u>

12. RESERVES

During the period under review, there was no movement to and from any reserves other than profit for the six months period ended 30 June 2018.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired assets with aggregate cost of approximately \$88,000 (2017: approximately \$24,000) of which \$Nil (2017: \$Nil) was acquired under finance leases.

The Group incurred depreciation expenses for the six months ended 30 June 2018 of approximately \$344,000 (2017: approximately \$390,000).

14. TRADE RECEIVABLES

	As at 30 June 2018 S\$ (Unaudited)	As at 31 December 2017 S\$ (Audited)
Trade receivables	14,562,645	6,771,113
Unbilled revenue (<i>Note a</i>)	1,253,200	5,807,555
Retention receivables (<i>Note b</i>)	3,701,924	4,028,837
	<u>19,517,769</u>	<u>16,607,505</u>

Notes:

- Unbilled revenue are those accrued revenue which payment certificates are issued by the customers but no billing has been raised to customers.

- b. Retention monies held by customers for construction work are classified as current as they are expected to be received within the Group's normal operating cycle.

The average credit period granted to the customers is from 30 to 60 days, from the invoice date for trade receivables. The following is an analysis of trade receivables presented based on the invoice dates as at the end of each reporting period.

	As at 30 June 2018 S\$ (Unaudited)	As at 31 December 2017 S\$ (Audited)
Within 30 days	9,833,831	5,633,919
31 days to 60 days	4,699,468	1,091,465
61 days to 90 days	—	—
over 90 days	29,346	45,729
	<u>14,562,645</u>	<u>6,771,113</u>

Before accepting any new customers, the Group assesses the potential customer's credit quality and defined credit limit to each customer on an individual basis. Limits attributed to customers are reviewed once a year.

The carrying values of trade receivables approximate their fair values. Allowance for doubtful debts are recognized against trade receivables based on estimated irrecoverable amounts from rendering of services, determined by reference to individual customer's credit quality. In determining the recoverability of trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted and provide allowance on those doubtful debts timely.

15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2018 S\$ (Unaudited)	As at 31 December 2017 S\$ (Audited)
Deposits	2,465,102	162,819
Prepayments	328,451	75,211
Other receivables	33,448	—
Goods and Service Tax ("GST") receivable	124,056	3,721
	<u>2,951,057</u>	<u>241,751</u>

16. TRADE AND OTHER PAYABLES

	As at 30 June 2018 S\$ (Unaudited)	As at 31 December 2017 S\$ (Audited)
Trade payables	6,959,294	3,864,170
Trade accruals	<u>2,993,657</u>	<u>6,313,062</u>
	<u>9,952,951</u>	<u>10,177,232</u>
GST payables	—	35,003
Other payables	465,910	1,307,347
Deposits received	24,186	299,534
Provision for unutilised leave	23,557	29,446
Salaries and CPF payables	<u>302,836</u>	<u>463,030</u>
	<u>10,769,440</u>	<u>12,311,592</u>

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 30 June 2018 S\$ (Unaudited)	As at 31 December 2017 S\$ (Audited)
Within 30 days	6,128,968	3,350,625
31 days to 60 days	830,326	221,354
61 days to 90 days	—	205,903
over 90 days	<u>—</u>	<u>86,288</u>
	<u>6,959,294</u>	<u>3,864,170</u>

17. SHARE CAPITAL

Details of movements of authorised and issued capital of the Company are as follows:

	Number of shares	Share capital HK\$
Authorised share capital of the Company:		
At date of incorporation on 1 February 2017 (<i>Note a</i>)	38,000,000	380,000
Increase on 21 June 2017 (<i>Note c</i>)	4,962,000,000	49,620,000
At 31 December 2017 (audited) and 30 June 2018 (unaudited)	<u>5,000,000,000</u>	<u>50,000,000</u>
	Number of shares	Share capital S\$
Issued and fully paid of the Company:		
At date of incorporation on 1 February 2017 (<i>Note a</i>)	1	—
Issue of shares pursuant to the reorganisation (<i>Note b</i>)	9,999	17
Issue of shares under the capitalisation issue (<i>Note d</i>)	359,990,000	620,672
Issue of shares under the Share Offer (<i>Note e</i>)	120,000,000	206,897
At 31 December 2017 (audited) and 30 June 2018 (unaudited)	<u>480,000,000</u>	<u>827,586</u>

Notes:

- a. On 1 February 2017, the Company was incorporated as an exempted company in the Cayman Islands with limited liability and the initial one nil-paid subscriber share was issued to the initial subscriber and transferred to Broadville at nil-paid on the same day. The authorised share capital of the Company was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each at the time of incorporation.
- b. On 22 December 2016, Broadville Limited (“Broadville”, the Company’s holding company which is not forming part of the Group) was incorporated in the British Virgin Islands (“BVI”) with limited liability and is authorised to issue a maximum of 50,000 shares of a single class, each with a par value of US\$1, of which 1 fully paid share had been allotted and issued at par to Mr. Ong Cheng Yew on 17 January 2017.

On 28 November 2016, Chirton Investments was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1, of which 1 fully paid share had been allotted and issued at par to Broadville on 17 January 2017.

On 16 June 2017, Mr. Ong Cheng Yew transferred the entire issued share capital of G-Tech Metal to Chirton Investments for a consideration which was settled by allotting and issuing one share in Chirton Investments, credited as fully paid, to Broadville at the direction of Mr. Ong Cheng Yew.

On 21 June 2017, in consideration of Broadbville transferring the entire issued share capital of Chirton Investments to the Company, the Company allotted and issued 9,999 new shares at par value of HK\$0.01 (equivalent to approximately S\$17) credited as fully paid, to Broadbville. After completion of the above transaction, G-Tech Metal became an indirect wholly-owned subsidiary of the Company.

- c. Pursuant to written resolutions passed on 21 June 2017, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 share of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 shares of HK\$0.01 each by the creation of an additional 4,962,000,000 shares.
- d. Pursuant to written resolutions passed on 2 November 2017, conditional upon the share premium account of the Company being credited as a result of the Share Offer, an amount of HK\$3,599,900 (equivalent to approximately S\$620,672) which will then be standing to the credit of the share premium account of the Company be capitalised and applied to pay up in full at par 359,990,000 shares for allotment and issue to the sole shareholder whose name appeared on the register of members of the Company at the close of business on 2 November 2017.
- e. The Company successfully listed on the GEM of the Stock Exchange on 17 November 2017 by way of placing of 108,000,000 ordinary shares and public offer of 12,000,000 ordinary shares at the price of HK\$0.54 per share, with a total gross proceeds of HK\$64.8 million (equivalent to approximately S\$11.17 million). The Company's share of net proceeds after deducting the underwriting commissions and estimated expenses paid or payable by the Company in relation to the Share Offer amounted to approximately HK\$56.2 million (equivalent to approximately S\$9.68 million).

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

For the financial period to date, the Group is principally engaged in the design, supply, fabrication and erect structural steel-works for the construction of buildings, including technological plants, industrial buildings, commercial buildings, government institutions and residential buildings in Singapore.

FINANCIAL REVIEW

Revenue and Results

For the six months ended 30 June 2018, the Group recorded an unaudited revenue of approximately S\$17,503,000 (2017: approximately S\$8,311,000) and profit of approximately S\$3,117,000 (2017: loss of approximately S\$1,821,000).

Revenue had increased by 110.6% mainly due to new project awarded on 19 March 2018 and recognized during the financial period.

The gross profit for the six months ended 30 June 2018 was approximately S\$5,026,000 (2017: approximately S\$2,260,000). The gross profit margin was maintained at approximately 27% to 29% for the six months ended 30 June 2017 and 2018.

Selling and administrative expenses for the six months ended 30 June 2018 was approximately S\$1,395,000 (2017: approximately S\$1,224,000) representing an increase of S\$171,000 mainly due to an increase in consultation and professional fee.

Other expenses for the six months ended 30 June 2017 included approximately S\$2,718,000 listing expenses.

The Group recorded a profit before taxation for the six months ended 30 June 2018 of approximately S\$3,708,000 (2017: approximately S\$1,082,000 exclusive of listing expenses of approximately S\$2,718,000) representing an increase of S\$2,626,000 as compared with the corresponding period of last year.

The profit after taxation for the six months ended 30 June 2018 would have been approximately S\$3,117,000 (2017: approximately S\$898,000 exclusive of listing expenses of approximately S\$2,718,000) representing an increase of S\$2,219,000 as compared with the corresponding period of last year.

Liquidity, Financial Resources and Capital Structure

The Group's exposure to liquidity risk arises in the general funding of the Group's operations, in particular, that the duration of the contracts spans from one month to one year and during which the amount of progress claim vary from month to month depending on the provision of construction works and installation and auxiliary services for the month. The supply and installation schedule is as directed by the customer, in accordance with the main contractor's schedule. As such, the Group actively manages our customers' credit limits, aging, and repayment of retention monies and monitor the operation cash flows to ensure adequate working capital funds and repayment schedule is met.

The Group's net current assets was approximately S\$19.3 million (31 December 2017: approximately S\$16.0 million) and the Group has cash and cash equivalent of approximately S\$9,652,000 (31 December 2017: approximately S\$11,230,000) which were placed with major banks in Singapore, Hong Kong and Malaysia.

For the period under review, the net cash used in operating activities of approximately S\$275,000.

As at 30 June 2018, the Group's borrowings comprised the obligation under finance leases of approximately S\$392,000 (31 December 2017: approximately S\$458,000) and bank borrowings of approximately S\$3,430,000 (31 December 2017: approximately S\$4,339,000).

The Group's current ratio was approximately 2.4 times (31 December 2017: approximately 1.9 times). The gearing ratio is calculated based on the total borrowings divided by the total equity as the respective periods end. The Group's gearing ratio was approximately 0.2 times (31 December 2017: approximately 0.3 times).

The shares of the Company (the "Shares") were successfully listed on GEM on 17 November 2017 by way of Share Offer. There has been no change in capital structure of the Company since then. The Group's total equity attributable to owners of the Group amounted to approximately S\$22.1 million (31 December 2017: approximately S\$19.0 million).

Foreign Exchange Exposure

The Group transacts mainly in Singapore dollars, which is the functional currency of the Group. However, the Group retains the proceeds from the Share Offer in Hong Kong Dollar, which exposed the Group to foreign exchange risk arising from the fluctuations of exchange rate for Hong Kong Dollar against Singapore Dollars. The Group does not have a foreign currency hedging policy but it continuously monitors its foreign exchange exposure and will apply appropriate measures if necessary.

Charges on Group's Assets

The Group has total present value of lease obligations under finance leases, which are secured by the relevant leased machinery and motor vehicles amounting to approximately S\$525,000 (31 December 2017: S\$585,000).

Capital Commitments

As at 30 June 2018, the Group did not have any capital commitments (31 December 2017: Nil).

Contingent Liabilities

As at 30 June 2018, the Group did not have any contingent liabilities (31 December 2017: Nil).

Employee Information

As at 30 June 2018, the Group had an aggregate of 111 (31 December 2017: 110) employees. The employees of the Group are remunerated according to their job scope and responsibilities. The local employees are also entitled to discretionary bonus depending on their respective performance. The foreign workers are employed on one or two years contractual basis and are remunerated according to their work skills.

Total staff costs, including Directors' emoluments, amounted to approximately S\$1,666,000 for six months ended 30 June 2018 (2017: approximately S\$1,706,000).

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress from 17 November 2017 (the "Listing Date") to 30 June 2018 (the "Review Period") is set out below:

Business strategies	Actual business progress during the Review Period
— Purchase of new fabrication facility	— The Group is seeking for suitable industrial land through JTC and expects to purchase a new fabrication facility in 2019
— Expand our workforce to support our business expansion	— The Group has recruited additional staff for the development of project team.
— Purchase of machineries for new fabrication facility	— Purchase of machineries for new fabrication facility were delayed due to the delay on purchase of new fabrication facility

Use of Proceeds

The Company was successfully listed on GEM of the Stock Exchange on the Listing Date by way of placing 108,000,000 ordinary shares and public offer of 12,000,000 ordinary shares at the price of HK\$0.54 per share (the “Share Offer”). The Group raised the net proceeds from the Share Offer of approximately HK\$35.9 million (approximately S\$6.19 million). The net proceeds are intended to be used in accordance with the proposed implementation plans as disclosed under the section headed “Future plans and use of proceeds” in the Prospectus.

As at 30 June 2018, the unutilised net proceeds amounted to approximately HK\$35.7 million. The following table sets forth a breakdown of the use of net proceeds during the period from the Listing Date to 30 June 2018.

	Planned use of proceeds as shown in the Prospectus (adjusted on a pro rata basis base on the actual net proceeds) <i>HK\$ million</i>	Planned use of proceeds as shown in the Prospectus from the Listing Date to 30 June 2018 (adjusted on a pro rata basis base on the actual net proceeds) <i>HK\$ million</i>	Actual use of proceeds from the Listing Date to 30 June 2018 <i>HK\$ million</i>	Unutilised amount as at 30 June 2018 <i>HK\$ million</i>
Purchase of new fabrication facility	20.4	20.4	—	20.4
Purchase of machineries for new fabrication facility	14.7	10.1	—	14.7
Expansion of workforce to support business expansion	0.8	0.3	0.2	0.6
	<u>35.9</u>	<u>30.8</u>	<u>0.2</u>	<u>35.7</u>

As at 30 June 2018, the Group has utilized HK\$0.2 million on expansion of workforce to support business expansion. The expansion of workforce is still going on in order to support the new projects.

The Group has yet to utilize the net proceeds of approximately HK\$35.7 million on new fabrication facility and new machineries. The reasons are as follows:

- (i) The unused net proceeds are deposited into licensed banks in Hong Kong and Singapore.

- (ii) We are currently seeking for suitable industrial land through Jurong Town Corporation (“JTC”), Singapore. JTC launched 6 industrial sites for sales, however heavy industries may be allowed in selected areas which are subject to evaluation by the competent authority.
- (iii) We are also in discussion with factory/land owners on purchase price of their existing land and property.
- (iv) The Group expects to purchase a new fabrication facility in 2019.

BUSINESS REVIEW

Revenue comprised of revenue from the provision of construction services, installation and auxiliary services provided by the Group to external customers, which amounted to approximately S\$17,503,000 and S\$8,311,000 for six months ended 30 June 2018 and 2017, respectively.

During the six months ended 30 June 2018 and 2017, the net profit was approximately S\$3,117,000 and S\$898,000 exclusive of listing expense of approximately S\$2,718,000 respectively.

EVENTS AFTER THE FINANCIAL PERIOD

No significant events have taken place since the interim period for the six months ended 30 June 2018.

PROSPECT

The Group’s revenue has a significant increase as compared with same period of 2017. Our Group strategies to expand and strengthen our market position in the structural steelwork industry in Singapore through the expansion of our production capacity and workforce.

Building and Construction Authority (the “BCA”) is pursuing a program of green buildings with a target of having 80% of the buildings in Singapore to be designated ‘green’ by 2030. BCA’s “Green Mark” system including the Sustainable Construction Masterplan considers the Concrete Usage Index (CUI) to minimize the use of concrete in buildings.

Contractors and developers in Singapore will need to work with suppliers that can help them score green points to enable the final structure to be commercially viable. Hence steel is increasingly the material of choice for the construction of the buildings and temporary support for deep excavations. As public sector projects are expected to form up to 70% of Singapore’s contracts awarded up to 2021, it is likely that the proportion of steel used will continue to grow in tandem, at least keeping track with the expected compound annual growth rate of 4.13% of the overall construction build from 2017–2021.

Steel is one of the most commonly recycled building materials. It is 100% recyclable and each reuse process does not degrade its quality. Each year, more steel is recycled in North America than aluminium, paper, glass and plastic combined.

Structural steel has numerous advantages over alternatives in building design and development. Comparing with concrete, steel offers a less labour-intensive, faster rate of construction, a better strength to volume ratio as well as flexibility in design. In the past Singapore has faced supply problems from Indonesia for sand, a critical component in concrete, which causes issue with construction cost. Similarly the formation of concrete requires significant onsite resources and space, or the shipping in of modular prefabricated components.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2018, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

Aggregate long positions in the shares and underlying shares of the Company

Name of director	Nature of interest	Number of shares held	Approximate percentage of the issued share capital
<i>Executive Directors:</i>			
Mr. Ong Cheng Yew	Interest of the controlled company	360,000,000 ⁽¹⁾	75%
Ms. Koh Siew Khing ⁽²⁾	Interest of spouse	360,000,000	75%

Notes:

- (1) Broadville Limited is wholly-owned by Mr. Ong Cheng Yew. Under the SFO, Mr. Ong Cheng Yew is deemed to be interested in all the shares of the Company held by Broadville Limited.
- (2) Ms. Koh Siew Khing is the spouse of Mr. Ong Cheng Yew and is deemed to be interested in all the shares of the Company in which Mr. Ong is interested in under the SFO.

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2018, the register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 June 2018, the Company had been notified of the following substantial shareholder's interest and short positions being 5% or more of the issued share capital of the Company.

Aggregate long positions in the shares and underlying shares of the Company

Name of substantial shareholder	Nature of interest	Number of shares held	Approximate percentage of the issued share capital
Broadbville Limited	Beneficial owner	360,000,000	75%

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who had an interest or short position in the securities of the Company that were required to be entered in the register of the Company pursuant to section 336 of the SFO as at 30 June 2018.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period under review, none of the Directors or the controlling shareholders or their respective associates (as defined in the GEM Listing Rules) of the Group had any interests in any business which competed with or might compete with the business of the Group.

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

Since the Listing Date to 30 June 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY THE DIRECTORS

During the period ended 30 June 2018, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

CORPORATE GOVERNANCE PRACTICES

The Board considers good corporate governance a key element in managing the business and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code from the Listing Date up to the date of this announcement.

INTEREST OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Vinco Capital Limited, as at 30 June 2018, save for the compliance adviser agreement dated 26 June 2017 entered into between the Company and Vinco Capital Limited, neither Vinco Capital Limited, its directors, employees and associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the “Scheme”) on 2 November 2017. The purpose of the Scheme is to advance the interests of the Company and the shareholders by enabling the Company to grant options to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group and by enabling such persons’ contribution to further advance the interests of the Group. The principal terms of the Scheme are summarized in the section headed “Share Option Scheme” in Appendix V to the Prospectus.

As at 30 June 2018, no share option was outstanding under the Scheme. No share option has been granted, exercised, cancelled or lapsed under the Scheme since its adoption.

DIVIDEND

The Directors do not recommend the payment of dividend for the six months ended 30 June 2018.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2018.

SIGNIFICANT INVESTMENTS

As at 30 June 2018, the Group did not hold any significant investments (31 December 2017: Nil).

AUDIT COMMITTEE

The Company established an audit committee on 21 June 2017 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3 of the CG Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The audit committee consists of three independent non-executive Directors namely Mr. Tam Wai Tak Victor, Ms. Chooi Pey Nee and Mr. Tan Yeok Lim (Chen Yulin). Mr. Tam Wai Tak Victor, a Director with the appropriate professional qualifications, serves as the chairman of the audit committee.

Among other things, the primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of our Group's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The audit committee has reviewed the unaudited results for the six months ended 30 June 2018 and has provided advice and comments thereon.

By order of the Board
Ong Cheng Yew
Chairman and Executive Director

Singapore, 13 August 2018

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Ong Cheng Yew (Chairman) and Ms. Koh Siew Khing and three independent non-executive Directors, namely, Mr. Tam Wai Tak Victor, Ms. Chooi Pey Nee and Mr. Tan Yeok Lim (Chen Yulin).

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its publication and on the Company's website at www.gt-steel.com.sg.