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## **GT STEEL CONSTRUCTION GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8402)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **CHARACTERISTICS OF 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, include particulars given in compliance with the Rules Governing the Listing of Securities on 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.*

## RESULTS

The board (the “Board”) of Directors of the Company (together with its subsidiaries, the “Group”) is pleased to present the audited consolidated results of the Group for the year ended 31 December 2019 together with comparative figures for the corresponding year in 2018, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 S\$	2018 S\$
Revenue	3	<b>50,851,802</b>	50,117,397
Cost of services		<u>(39,038,620)</u>	<u>(37,898,474)</u>
<b>Gross profit</b>		<b>11,813,182</b>	12,218,923
Other income	4a	<b>222,021</b>	216,862
Other gains (losses)	4b	<b>3,498</b>	(510)
Selling expenses		<b>(208,486)</b>	(377,869)
Administrative expenses		<b>(3,959,622)</b>	(3,856,821)
Other expenses	4c	<b>(814,858)</b>	—
Finance costs	5	<u><b>(189,202)</b></u>	<u>(175,149)</u>
<b>Profit before taxation</b>		<b>6,866,533</b>	8,025,436
Income tax expense	6	<u><b>(1,538,437)</b></u>	<u>(1,482,936)</u>
<b>Profit for the year</b>	7	<u><b>5,328,096</b></u>	<u>6,542,500</u>
<b>Other comprehensive expense</b>			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Exchange differences on translation of foreign operation		<u><b>(5,024)</b></u>	<u>(2,441)</u>
<b>Total comprehensive income for the year</b>		<u><b>5,323,072</b></u>	<u>6,540,059</u>
<b>Basic earnings per share (S\$ cents)</b>	10	<u><b>1.11</b></u>	<u>1.36</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

		<b>31 December 2019</b>	<b>31 December 2018</b>
	<i>Note</i>	<i>S\$</i>	<i>S\$</i>
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>3,801,076</b>	1,379,061
Right-of-use assets	12	<b>1,956,215</b>	—
Investment properties	13	<b>2,631,675</b>	2,684,941
		<b>8,388,966</b>	4,064,002
<b>Current assets</b>			
Trade receivables	14	<b>20,943,010</b>	6,451,736
Contract assets	15	<b>13,336,349</b>	10,075,674
Deposits, prepayments and other receivables	16	<b>358,428</b>	3,773,322
Bank balances and cash	17a	<b>1,870,336</b>	12,977,713
Pledged bank deposits	17b	<b>2,941,810</b>	3,985,089
		<b>39,449,933</b>	37,263,534
<b>Current liabilities</b>			
Trade and other payables	18	<b>9,786,014</b>	8,351,549
Lease liabilities	19	<b>547,116</b>	—
Obligations under finance leases	19	—	139,823
Borrowings	20	<b>2,487,524</b>	4,388,533
Income tax payable		<b>1,773,739</b>	1,483,359
		<b>14,594,393</b>	14,363,264
<b>Net current assets</b>		<b>24,855,540</b>	22,900,270
<b>Total assets less current liabilities</b>		<b>33,244,506</b>	26,964,272

		<b>31 December 2019</b>	31 December 2018
	<i>Note</i>	<i>S\$</i>	<i>S\$</i>
<b>Non-current liabilities</b>			
Lease liabilities	19	<b>1,258,616</b>	—
Obligations under finance leases	19	—	184,833
Borrowings	20	<b>1,114,222</b>	1,211,281
Deferred tax liabilities	21	<b>52,069</b>	71,631
		<u><b>2,424,907</b></u>	<u>1,467,745</u>
<b>Net assets</b>		<u><b>30,819,599</b></u>	<u>25,496,527</u>
<b>Capital and reserves</b>			
Share capital	22	<b>827,586</b>	827,586
Share premium		<b>8,613,061</b>	8,613,061
Merger reserves		<b>2,999,983</b>	2,999,983
Accumulated profits		<b>18,386,434</b>	13,058,338
Translation reserve		<b>(7,465)</b>	(2,441)
<b>Equity attributable to owners of the Company</b>		<u><b>30,819,599</b></u>	<u>25,496,527</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Share capital S\$	Share premium (Note A) S\$	Merger reserves (Note B) S\$	Accumulated profits S\$	Translation Reserve S\$	Total S\$
<b>At 1 January 2018</b>	827,586	8,613,061	2,999,983	6,515,838	—	18,956,468
<i>Total comprehensive income (expense) for the year:</i>						
Profit for the year	—	—	—	6,542,500	—	6,542,500
Other comprehensive expense for the year	—	—	—	—	(2,441)	(2,441)
<b>Total</b>	—	—	—	6,542,500	(2,441)	6,540,059
<b>At 31 December 2018</b>	827,586	8,613,061	2,999,983	13,058,338	(2,441)	25,496,527
<i>Total comprehensive income (expense) for the year:</i>						
Profit for the year	—	—	—	5,328,096	—	5,328,096
Other comprehensive expense for the year	—	—	—	—	(5,024)	(5,024)
<b>Total</b>	—	—	—	5,328,096	(5,024)	5,323,072
<b>At 31 December 2019</b>	<u>827,586</u>	<u>8,613,061</u>	<u>2,999,983</u>	<u>18,386,434</u>	<u>(7,465)</u>	<u>30,819,599</u>

*Note A:* Share premium represents the excess of share issue over the par value.

*Note B:* Merger reserves represents the difference between the underlying net assets of the subsidiary which was acquired by the Company pursuant to the Reorganization and the total par value and share premium amount of the shares issued.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	2019 S\$	2018 S\$
<b>Operating activities</b>		
Profit before taxation	6,866,533	8,025,436
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	751,695	684,330
Depreciation of investment properties	53,266	53,267
Depreciation of right-of-use assets	533,030	—
(Gain) Loss on disposal of property, plant and equipment	(3,498)	510
Interest income	(76,184)	—
Finance costs	189,202	175,149
	<hr/>	<hr/>
Operating cash flows before movement in working capital	8,314,044	8,938,692
<i>Movement in working capital:</i>		
(Increase) Decrease in trade receivables	(14,491,274)	6,126,932
Decrease (Increase) in deposits, prepayments and other receivables	3,414,894	(3,531,571)
Increase in contract assets	(3,260,675)	(913,354)
Increase (Decrease) in trade and other payables	1,434,465	(3,960,043)
Decrease in contract liabilities	—	(770,810)
	<hr/>	<hr/>
Cash (used in) from operations	(4,588,546)	5,889,846
Income taxes paid	(1,267,619)	(752,366)
	<hr/>	<hr/>
<b>Net cash (used in) from operating activities</b>	<b>(5,856,165)</b>	<b>5,137,480</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(3,639,675)	(183,849)
Addition to right-of-use assets	(56,800)	—
Proceeds from disposal of property, plant and equipment	4,000	11,650
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(3,692,475)</b>	<b>(172,199)</b>

	2019 S\$	2018 S\$
<b>Financing activities</b>		
Repayment to ultimate holding company	—	(80,526)
Repayment to a director	—	(100,994)
Repayment of lease liabilities	(485,906)	—
Repayment of obligations under finance leases	—	(133,755)
Proceeds from borrowings	7,532,892	16,132,643
Repayments of borrowings	(9,530,960)	(14,872,130)
Interest received	76,184	—
Interest paid	(189,202)	(175,149)
Fixed deposits pledged	<u>1,043,279</u>	<u>(3,985,089)</u>
<b>Net cash used in financing activities</b>	<u>(1,553,713)</u>	<u>(3,215,000)</u>
Net (decrease) increase in cash and cash equivalents	(11,102,353)	1,750,281
Cash and cash equivalents at beginning of the year	12,977,713	11,229,883
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	<u>(5,024)</u>	<u>(2,451)</u>
<b>Cash and cash equivalents at end of the year (Note 17a)</b>	<u><u>1,870,336</u></u>	<u><u>12,977,713</u></u>

# **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## ***FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019***

### **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 executive director of the Company.

The Company is an investment holding company and its operating subsidiaries are engaged in designing, supplying, fabricating and erecting structural steelworks 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 functional currency of the Company is Singapore Dollars (“S\$”), which is also the presentation currency of the Company.

The consolidated financial statements are approved by the Board on 24 March 2020.

### **2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)**

**New and amended IFRSs that are effective for the current year**

#### ***Impact of initial application of IFRS 16 Leases (“IFRS 16”)***

In the current year, the Group has applied IFRS 16 *Leases* (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group’s consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.



In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the Standard:

- For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within administrative expenses in the consolidated statement of profit or loss and other comprehensive income.
- The Group accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.
- The Group has used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application.

*(a) Impact of the new definition of a lease*

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 *Leases* (“IAS 17”) and IFRIC 4 *Determining Whether an Arrangement Contains a Lease* (“IFRIC 4”) will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on ‘risks and rewards’ in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in IFRS 16 does not significantly change the scope of contracts that meets the definition of a lease of the Group.

*(b) Impact on Lessee Accounting*

*(i) Former operating leases*

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

- a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
- b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'administrative expenses' in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 January 2019.

(c) *Impact on Lessor Accounting*

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

(d) *Financial impact of initial application of IFRS 16*

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 5.14%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

Impact on retained earnings as at 1 January 2019

	S\$
Operating lease commitments as at 31 December 2018	404,700
Effect of discounting the above amounts	(12,638)
Finance lease liabilities recognised under IAS 17 as at 31 December 2018	324,656
Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	<u>496,747</u>
Lease liabilities recognised as at 1 January 2019	<u><u>1,213,465</u></u>

## Lease liabilities

S\$

### Analysed as:

Current	468,650
Non-current	744,815
	<hr/>
	1,213,465
	<hr/>

In addition, the Group recognised right-of-use assets of S\$1,213,465 as at 1 January 2019 upon transition to IFRS 16 as disclosed in Note 12.

### New and amendments to IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17 <sup>(i)</sup>	<i>Insurance Contracts</i>
Amendments to IFRS 10 and IAS 28 <sup>(iii)</sup>	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to IFRS 3 <sup>(ii)</sup>	<i>Definition of a business</i>
Amendments to IAS 1 and IAS 8 <sup>(iv)</sup>	<i>Definition of material</i>
Amendments to IFRS 9, IAS 39 and IFRS 7 <sup>(iv)</sup>	<i>Interest Rate Benchmark Reform</i>

- (i) Effective for annual periods beginning on or after 1 January 2021.
- (ii) Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
- (iii) Effective for annual periods beginning on or after a date to be determined.
- (iv) Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

### **Amendments to IAS 1 and IAS 8 *Definition of Material***

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all IFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

### **Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in IFRS Standards**

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain IFRSs have been updated to the New Framework, whilst some IFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

### 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 are mainly derived from Singapore during the financial year.

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 accounting policies are the same as the Group's accounting policies. 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 year is as follows:

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$</b>	<b>S\$</b>
Revenue from:		
Provision of structural steelworks services	<b><u>50,851,802</u></b>	<b><u>50,117,397</u></b>

#### **Timing of recognition**

Revenue based by timing of recognition are as follows:

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$</b>	<b>S\$</b>
Over time	<b><u>50,851,802</u></b>	<b><u>50,117,397</u></b>

#### **Major customers**

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

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$</b>	<b>S\$</b>
Customer I	<b>28,230,666</b>	41,481,458
Customer II	<b><u>16,439,815</u></b>	<b><u>N/A*</u></b>

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

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$</b>	<b>S\$</b>
Provision of structural steelworks services	<u><b>1,557,227</b></u>	<u><b>33,430,500</b></u>

Management expects that 100% of the transaction price allocated to the unsatisfied contracts as of 31 December 2019 will be recognised as revenue during the next reporting period.

### **Geographical information**

Revenue based on geographical location of customers are as follows:

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$</b>	<b>S\$</b>
Singapore	<b>50,846,767</b>	48,369,824
Malaysia	<u><b>5,035</b></u>	<u>1,747,573</u>
	<u><b>50,851,802</b></u>	<u><b>50,117,397</b></u>

## **4 A. OTHER INCOME**

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$</b>	<b>S\$</b>
Insurance claim receipt	<b>179</b>	22,434
Government grants	<b>11,178</b>	56,653
Rental income	<b>125,316</b>	125,501
Interest income	<b>76,184</b>	—
Sundry income	<u><b>9,164</b></u>	<u>12,274</u>
	<u><b>222,021</b></u>	<u><b>216,862</b></u>

## **B. OTHER GAINS (LOSSES)**

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$</b>	<b>S\$</b>
Gain (Loss) on disposal of property, plant and equipment	<u><b>3,498</b></u>	<u><b>(510)</b></u>

## **C. OTHER EXPENSES**

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$</b>	<b>S\$</b>
Expenses in relation to the Proposed Transfer	<u><b>814,858</b></u>	<u><b>—</b></u>

## 5 FINANCE COSTS

	Year ended 31 December	
	2019	2018
	S\$	S\$
Interest on:		
Bank borrowings:		
— wholly repayable within five years	87,944	123,103
— not wholly repayable within five years	37,793	33,365
Lease liabilities	63,465	—
Obligations under finance leases	—	18,681
	<u>189,202</u>	<u>175,149</u>

## 6 INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	S\$	S\$
Tax expense comprises:		
Current tax:		
— Singapore corporate income tax (“CIT”)	1,497,640	1,477,286
— Under provision in prior years	60,359	5,594
Deferred tax expense ( <i>Note 21</i> ):		
— Current year	(19,562)	56
	<u>1,538,437</u>	<u>1,482,936</u>

Singapore CIT is calculated at 17% (2018: 17%) of the estimated assessable profit for the year.

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2019	2018
	S\$	S\$
Profit before taxation	<u>6,866,533</u>	<u>8,025,436</u>
Tax at applicable tax rate of 17%	1,167,311	1,364,324
Tax effect of expenses not deductible for tax purpose	320,006	137,602
Tax effect of income not taxable for tax purpose	(717)	(4,085)
Effect of tax concessions ( <i>Note a</i> )	(17,425)	(57,046)
Effect of different tax rates of subsidiary operating in other jurisdictions	514	30,788
Under provision of current tax in prior years	60,359	5,594
Others	8,389	5,759
Taxation for the year	<u>1,538,437</u>	<u>1,482,936</u>

*Note:*

- Tax concession pertains to incentive schemes given by the Singapore tax authority.



## 7 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31 December	
	2019	2018
	S\$	S\$
Audit fees paid to auditors of the Company:		
— Annual audit fees	180,000	150,000
Listing transfer expenses ( <i>Note a</i> )	814,858	—
Depreciation of property, plant and equipment ( <i>Note 11</i> ):		
— Recognised in cost of services	398,203	461,125
— Recognised in administrative expenses	353,492	223,205
Depreciation of right-of-use assets ( <i>Note 12</i> ):		
— Recognised in cost of services	337,350	—
— Recognised in administrative expenses	195,680	—
Depreciation of investment properties ( <i>Note 13</i> )	53,266	53,267
Directors' emoluments ( <i>Note 8</i> )	567,174	279,693
Other staff costs:		
— Salaries and wages	3,925,045	3,790,778
— Defined contribution plans	89,310	102,391
— Other staff benefits	76,452	100,545
Total staff costs	4,090,807	3,993,714
Cost of materials recognised as expenses	10,586,026	14,962,043
Subcontractor costs recognised as expenses	22,871,554	16,235,143

*Note:*

- a. This pertains to expenses incurred in relation to the proposed transfer of listing (the “Proposed Transfer”) of the shares of the Company from GEM to the Main Board of the Stock Exchange. Included in listing expenses are non-audit fees of S\$56,000 paid to other member firms of the auditors of the Company.

## 8 DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

### Directors' and chief executive's emoluments

Mr. Ong and Ms. Koh Siew Khing were appointed as directors of the Company on 1 February 2017 respectively. Mr. Tam Wai Tak Victor, Ms. Chooi Pey Nee, and Mr. Tan Yeok Lim were appointed as independent non-executive Directors on 21 June 2017.

The emoluments paid or payable to the directors of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the Directors as applicable) by entities comprising the Group for their services in connection with the management affairs of the Group during the year are as follows:

**Year ended 31 December 2019**

	Fees S\$	Discretionary bonus S\$	Salaries and allowances S\$	Contributions to retirement benefit scheme S\$	Total S\$
<b>Executive Directors</b>					
Mr. Ong Cheng Yew	—	—	240,000	12,240	252,240
Ms. Koh Siew Khing	—	—	240,000	12,240	252,240
<b>Independent Non-Executive Directors</b>					
Mr. Tam Wai Tak Victor	20,898	—	—	—	20,898
Ms. Chooi Pey Nee	20,898	—	—	—	20,898
Mr. Tan Yeok Lim	20,898	—	—	—	20,898
	<u>62,694</u>	<u>—</u>	<u>480,000</u>	<u>24,480</u>	<u>567,174</u>

**Year ended 31 December 2018**

	Fees S\$	Discretionary bonus S\$	Salaries and allowances S\$	Contributions to retirement benefit scheme S\$	Total S\$
<b>Executive Directors</b>					
Mr. Ong Cheng Yew	—	—	120,000	12,240	132,240
Ms. Koh Siew Khing	—	—	72,000	12,240	84,240
<b>Independent Non-Executive Directors</b>					
Mr. Tam Wai Tak Victor	21,071	—	—	—	21,071
Ms. Chooi Pey Nee	21,071	—	—	—	21,071
Mr. Tan Yeok Lim	21,071	—	—	—	21,071
	<u>63,213</u>	<u>—</u>	<u>192,000</u>	<u>24,480</u>	<u>279,693</u>

*Notes:*

- Mr. Ong acts as chairman of the Company with effect from 3 March 2017.
- Ms. Koh Siew Khing acts as executive Director with effect from 3 March 2017.
- No other retirement benefits were paid to Mr. Ong and Ms. Koh Siew Khing in respect of their respective other services in connection with the management of the affairs of the Company or its subsidiaries undertaking.

The executive Directors' emoluments shown above were for their services in connection with the management affairs of the Group.

The independent non-executive Directors' emoluments shown above were for their services as directors of the Company.

During the year, no remuneration was paid by the Group to the directors or other highest paid individuals of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors waived or agreed to waive any remuneration during the year.

#### **Employees' remuneration**

The five highest paid employees of the Group during the year ended 31 December 2019 included two (2018: two) directors, details of whose remunerations are set out above. Details of the remuneration for the remaining three (2018: three) highest paid employees who are not Directors are as follows:

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$</b>	<b>S\$</b>
Salaries and allowances	<b>240,658</b>	255,567
Contributions to retirement benefits scheme	<b>20,393</b>	27,815
	<b>261,051</b>	283,382

The five highest paid individuals including directors were within the following bands presented in Hong Kong Dollars ("HK\$"):

	<b>Number of Employees</b>	
	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Emolument bands</b>		
Nil to HK\$500,000	<b>2</b>	2
HK\$500,001 to HK\$1,000,000	<b>3</b>	3

## **9 DIVIDEND**

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

## 10 EARNINGS PER SHARE

	Year ended 31 December	
	2019	2018
Profit attributable to the owners of the Company (S\$)	<b>5,328,096</b>	6,542,500
Weighted average number of ordinary shares in issue	<b>480,000,000</b>	480,000,000
Basic earnings per share (S\$ cents)	<b>1.11</b>	1.36

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

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

## 11 PROPERTY, PLANT AND EQUIPMENT

	Building S\$	Motor vehicles S\$	Office equipment S\$	Plant and machinery S\$	Leasehold improvement S\$	Total S\$
<b>Cost:</b>						
<b>At 1 January 2018</b>	1,500,000	645,773	437,610	1,498,482	732,228	4,814,093
Additions	—	—	35,300	137,049	11,500	183,849
Disposals	—	(31,722)	—	—	—	(31,722)
Exchange difference on translation	—	—	10	—	—	10
<b>At 31 December 2018</b>	1,500,000	614,051	472,920	1,635,531	743,728	4,966,230
Adoption of IFRS 16 ( <i>Note 12</i> )	—	(551,857)	—	(322,030)	—	(873,887)
<b>At 1 January 2019</b>	1,500,000	62,194	472,920	1,313,501	743,728	4,092,343
Additions <sup>(a)</sup>	3,500,000	—	13,423	126,252	—	3,639,675
Disposals	—	(15,693)	(25,893)	—	—	(41,586)
<b>At 31 December 2019</b>	5,000,000	46,501	460,450	1,439,753	743,728	7,690,432
<b>Accumulated depreciation:</b>						
<b>At 1 January 2018</b>	875,000	179,384	404,860	1,007,744	455,413	2,922,401
Charge for the year	250,000	66,816	28,880	211,124	127,510	684,330
Elimination on disposals/ write-offs	—	(19,562)	—	—	—	(19,562)
<b>At 31 December 2018</b>	1,125,000	226,638	433,740	1,218,868	582,923	3,587,169
Adoption of IFRS 16 ( <i>Note 12</i> )	—	(173,968)	—	(234,456)	—	(408,424)
<b>At 1 January 2019</b>	1,125,000	52,670	433,740	984,412	582,923	3,178,745
Charge for the year	453,967	7,409	20,497	148,203	121,619	751,695
Elimination on disposals	—	(15,300)	(25,784)	—	—	(41,084)
<b>At 31 December 2019</b>	1,578,967	44,779	428,453	1,132,615	704,542	3,889,356

	Building S\$	Motor vehicles S\$	Office equipment S\$	Plant and machinery S\$	Leasehold improvement S\$	Total S\$
<b>Carrying amounts:</b>						
<b>At 31 December 2018</b>	<u>375,000</u>	<u>387,413</u>	<u>39,180</u>	<u>416,663</u>	<u>160,805</u>	<u>1,379,061</u>
<b>At 1 January 2019</b>	<u>375,000</u>	<u>9,524</u>	<u>39,180</u>	<u>329,089</u>	<u>160,805</u>	<u>913,598</u>
<b>At 31 December 2019</b>	<u>3,421,033</u>	<u>1,722</u>	<u>31,997</u>	<u>307,138</u>	<u>39,186</u>	<u>3,801,076</u>

<sup>(a)</sup> Included in this balance is the factory amounting to S\$3,500,000 which was acquired through the acquisition of Kay Huat Trading Company Private Limited.

The above items of property, plant and equipment are depreciated on a straight-line basis at the following useful lives after taking into account the residual values:

Building	6 to 45 years (shorter of lease terms of land on which building was erected)
Motor vehicles	1 to 10 years
Office equipment	3 years
Plant and machinery	5 years
Leasehold improvement	5 years

#### **Assets pledged as security**

The Group's obligations under finance leases at 31 December 2018, relates to machinery and motor vehicles had a carrying amount of S\$465,463.

## 12 RIGHT-OF-USE ASSETS

	Leasehold land S\$	Office premises S\$	Plant and machinery S\$	Motor vehicle S\$	Total S\$
<b>Cost:</b>					
At 1 January 2019	—	748,002	322,030	551,857	1,621,889
Additions	<u>1,218,980</u>	<u>—</u>	<u>—</u>	<u>56,800</u>	<u>1,275,780</u>
<b>At 31 December 2019</b>	<u><b>1,218,980</b></u>	<u><b>748,002</b></u>	<u><b>322,030</b></u>	<u><b>608,657</b></u>	<u><b>2,897,669</b></u>
<b>Accumulated depreciation:</b>					
At 1 January 2019	—	—	234,456	173,968	408,424
Charge for the year	<u>72,775</u>	<u>337,350</u>	<u>64,406</u>	<u>58,499</u>	<u>533,030</u>
<b>At 31 December 2019</b>	<u><b>72,775</b></u>	<u><b>337,350</b></u>	<u><b>298,862</b></u>	<u><b>232,467</b></u>	<u><b>941,454</b></u>
<b>Carrying amounts:</b>					
At 1 January 2019	<u>—</u>	<u>748,002</u>	<u>87,574</u>	<u>377,889</u>	<u>1,213,465</u>
<b>At 31 December 2019</b>	<u><b>1,146,205</b></u>	<u><b>410,652</b></u>	<u><b>23,168</b></u>	<u><b>376,190</b></u>	<u><b>1,956,215</b></u>

The Group leases several assets including leasehold land, office premises, plant and machinery and motor vehicles. The lease term ranges from 3 to 7 years.

### Amount recognised in profit and loss

	31 December 2019 S\$
Depreciation on right-of-use assets	533,030
Interest expense on lease liabilities	<u>63,465</u>

As at 31 December 2019, the Group is not committed to any short-term leases.

The total cash outflow for principal amount and interest of lease liabilities amount to S\$485,906 and S\$63,465 respectively.

### 13 INVESTMENT PROPERTIES

	Freehold property S\$	Leasehold properties S\$	Total S\$
<b>Cost:</b>			
At 1 January 2018,			
31 December 2018 and 2019	<u>1,581,575</u>	<u>1,427,551</u>	<u>3,009,126</u>
<b>Accumulated depreciation:</b>			
<b>At 1 January 2018</b>	65,899	205,019	270,918
Charge for the year	<u>26,360</u>	<u>26,907</u>	<u>53,267</u>
<b>At 31 December 2018</b>	92,259	231,926	324,185
Charge for the year	<u>26,360</u>	<u>26,906</u>	<u>53,266</u>
<b>At 31 December 2019</b>	<u>118,619</u>	<u>258,832</u>	<u>377,451</u>
<b>Net carrying value:</b>			
At 31 December 2018	<u>1,489,316</u>	<u>1,195,625</u>	<u>2,684,941</u>
At 31 December 2019	<u>1,462,956</u>	<u>1,168,719</u>	<u>2,631,675</u>

The above investment properties are depreciated on a straight-line basis over the following year:

Leasehold properties	—	Over the lease terms, ranging between 45 to 58 years
Freehold property	—	60 years

As at 31 December 2019, included in the balances are freehold property with carrying value amounting to S\$1,462,956 (2018: S\$1,489,316). All of the Group's property interests which are freehold, and leased out under operating leases for lease terms of 2 years to earn rentals or for capital appreciation purposes, are measured using the costs model and are classified and accounted for as investment properties.

The investment properties comprise industrial properties that are leased to external customers. The leases contain initial non-cancellable period of 2 years. Subsequent renewal is negotiated with the lessees. The investment properties are mortgaged to the banks to secure for bank loans (Note 20) as at 31 December 2018 and 2019.

At 31 December 2019, the fair values of the investment properties amounted to S\$3,090,521 (2018: S\$4,628,547) and is categorised within level 3 of the fair value hierarchy. The fair values were determined using the comparison approach, where it is based on comparable market transactions that considered the sales of similar properties that have been transferred in the open market with the significant unobservable input being the price per square metre where any significant isolated increases (decreases) in this input would result in a significantly higher (lower) fair value measurement.

In estimating the fair value of the property, the highest and best use of the property their current use. There has been no change to the valuation technique during the year.

The property rental income from the Group's investment properties, all of which are leased out under operating leases, amounted to S\$125,316 (2018: S\$125,501). Direct operating expenses arising from the rental-generating investment properties amounted to S\$53,266 (2018: S\$53,267).

Details of the Group's investment properties and information about the fair value hierarchy as at end of the reporting period are as follows:

	<b>Fair value Level 3 S\$</b>
— As at 31 December 2018	
421 Tagore Ind. Avenue #02–14, Singapore	2,833,563
No. 18 Sin Ming Lane #07–40 Midview City, Singapore	564,984
No. 18 Sin Ming Lane #07–41 Midview City, Singapore	650,000
No. 21 Woodlands Park E1 #03–05, Singapore	580,000
	<hr/>
Total	4,628,547
	<hr/> <hr/>
— As at 31 December 2019	
421 Tagore Ind. Avenue #02–14, Singapore	1,620,503
No. 18 Sin Ming Lane #07–40 Midview City, Singapore	483,616
No. 18 Sin Ming Lane #07–41 Midview City, Singapore	540,512
No. 21 Woodlands Park E1 #03–05, Singapore	445,890
	<hr/>
Total	3,090,521
	<hr/> <hr/>

#### 14 TRADE RECEIVABLES

	<b>As at 31 December</b>	
	<b>2019</b>	2018
	<b>S\$</b>	S\$
Trade receivables	<b>6,117,832</b>	6,368,157
Unbilled revenue ( <i>Note a</i> )	<b>14,825,178</b>	83,579
	<hr/>	<hr/>
	<b>20,943,010</b>	6,451,736
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

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



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:

	<b>As at 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$</b>	<b>S\$</b>
Within 30 days	<b>5,449,680</b>	515,198
31 days to 60 days	<b>538,672</b>	2,911,762
Over 90 days	<b>129,480</b>	2,941,197
	<b><u>6,117,832</u></b>	<b><u>6,368,157</u></b>

Before accepting any new customer, 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 periodically.

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

As part of the Group's credit risk management, the Group assesses the impairment for its customers based on different group of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

Aging of trade receivables that are past due but not impaired at reporting date:

	<b>As at 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$</b>	<b>S\$</b>
31 days to 60 days	<b>538,672</b>	959,668
61 days to 90 days	—	—
Over 90 days	<b>129,480</b>	1,967,535
	<b><u>668,152</u></b>	<b><u>2,927,203</u></b>

Trade receivables past due 90 days are not considered in default as the Group considered such balances could be recovered based on historical experience. Moreover, the management of the Group did not aware of any significant change in credit quality of the trade receivables and the expected credit losses are insignificant.

The Directors considered that the ECL for trade receivables is insignificant as at 31 December 2019 and 2018.

## 15 CONTRACT ASSETS

	As at 31 December	
	2019	2018
	S\$	S\$
Analysed for reporting purposes as:		
Contract assets	<u>13,336,349</u>	<u>10,075,674</u>

As at 31 December 2019, included in contract assets are retention money held by customers for construction work amounted to S\$8,816,387 (2018: S\$6,723,387), which were expected to be recovered or settled in more than twelve months from the end of reporting period.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in satisfying the respective performance obligations at the reporting date on construction contracts in respect of project works.

The contract liabilities primarily relate to the Group's obligation to transfer project works services to customers for which the Group has received consideration from the customers.

Retention money is unsecured, interest-free and expected to be received within the Group's normal operating cycle.

The Directors considered that the ECL for contract assets is insignificant as at 31 December 2019 and 2018.

## 16 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	S\$	S\$
Prepayments to sub-contractor ( <i>Note a</i> )	—	3,308,898
Deposits ( <i>Note b</i> )	156,752	173,035
Prepayments	<u>201,676</u>	<u>291,389</u>
	<u>358,428</u>	<u>3,773,322</u>

*Notes:*

- (a) In 2018, the prepayments to sub-contractors represented down payment for certain projects. The amounts have been fully utilised during the year.
- (b) The Directors considered that the ECL on deposits is insignificant as at 31 December 2019.

**17a BANK BALANCES AND CASH**

	<b>As at 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$</b>	<b>S\$</b>
Cash on hand	<b>1,100</b>	1,000
Cash at bank	<b>1,869,236</b>	12,976,713
	<b><u>1,870,336</u></b>	<b><u>12,977,713</u></b>

The Directors considered that the ECL on bank balances is insignificant as at 31 December 2019 and 2018.

**17b PLEDGED BANK DEPOSITS**

	<b>As at 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$</b>	<b>S\$</b>
Fixed deposits	<b>2,941,810</b>	3,985,089

The fixed bank deposits are pledged to bank borrowings (Note 20), bear interests at effective interest rates ranging from 1.5% to 2.06% (2018: 1.02% to 2.21%) per annum and for a tenure of a year.

The Directors considered that the ECL on fixed bank deposit is insignificant as at 31 December 2019 and 2018.

**18 TRADE AND OTHER PAYABLES**

	<b>As at 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$</b>	<b>S\$</b>
Trade payables	<b>5,981,730</b>	6,116,715
Trade accruals	<b>2,226,314</b>	—
	<b><u>8,208,044</u></b>	<b><u>6,116,715</u></b>
GST payables	<b>88,065</b>	15,950
Other payables	<b>900,141</b>	1,293,965
Deposits received	<b>22,886</b>	16,322
Provision for unutilised leave	<b>26,173</b>	25,731
Salaries and CPF payables	<b>540,705</b>	882,866
	<b><u>9,786,014</u></b>	<b><u>8,351,549</u></b>

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

	<b>As at 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$</b>	<b>S\$</b>
Within 30 days	<b>3,132,064</b>	1,543,954
31 to 60 days	<b>1,342,525</b>	2,570,635
61 days to 90 days	<b>136,735</b>	628,695
Over 90 days	<b>1,370,406</b>	1,373,431
	<b><u>5,981,730</u></b>	<b><u>6,116,715</u></b>

## 19 LEASES LIABILITIES

	<b>31 December 2019 S\$</b>
Analysed as:	
Current	<b>547,116</b>
Non-current	<b><u>1,258,616</u></b>
	<b><u>1,805,732</u></b>

### Disclosure required by IFRS 16

	<b>31 December 2019 S\$</b>
Maturity analysis:	
Within one year	623,448
In more than one year but no more than two years	445,289
In more than two years but no more than five years	870,333
In more than 5 years	<u>62,628</u>
	2,001,698
Less: Unearned interest	<u>(195,966)</u>
	<b><u>1,805,732</u></b>

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury's function.

## Disclosure required by IAS 17

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments 31 December 2018 \$	Present value of minimum lease payments 31 December 2018 \$
<i>Amounts payable under finance leases:</i>		
Within one year	152,436	139,823
In more than one year but no more than two years	118,245	111,575
In more than two years but no more than five years	<u>76,394</u>	<u>73,258</u>
	347,075	324,656
Less: Future finance charges	<u>(22,419)</u>	<u>—</u>
Present value of finance lease obligations	<u><u>324,656</u></u>	324,656
Less: Amount due for settlement within one year (shown under current liabilities)		<u>(139,823)</u>
Amount due for settlement after one year		<u><u>184,833</u></u>

Interest rates underlying all obligations under finance leases are fixed at respective contract dates during the year. The weighted average interest rate during the year is as disclosed below:

	31 December 2018
Interest rates	<u><u>4.79%</u></u>

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (Note 11).

## 20 BORROWINGS

	As at 31 December	
	2019	2018
	S\$	S\$
Secured and guaranteed:		
Trade financing ( <i>Notes a and d</i> )	1,888,897	4,289,566
Revolving credit facility ( <i>Notes b and d</i> )	500,000	—
Bank loans ( <i>Notes c and d</i> )	1,212,849	1,310,248
	<u>3,601,746</u>	<u>5,599,814</u>
<i>Analysed as:</i>		
Carrying amount repayable within one year	2,487,524	4,388,533
Carrying amount repayable more than one year, but not exceeding two years	100,226	100,374
Carrying amount repayable more than two years, but not more than five years	205,334	259,553
Carrying amount repayable more than five years	808,662	851,354
	<u>3,601,746</u>	<u>5,599,814</u>
Less: Amount due within one year shown under current liabilities	<u>(2,487,524)</u>	<u>(4,388,533)</u>
Amount shown under non-current liabilities	<u>1,114,222</u>	<u>1,211,281</u>
a. As at 31 December 2019, trade financing bears a floating interest rate at 1.65% (2018: 1.65% to 2.00%) above the bank's cost of funds per annum.		
b. As at 31 December 2019, revolving credit facility bore a floating interest rate at 1.65% above the bank's cost of funds per annum.		
c. As at 31 December 2019, the bank loans are secured by first legal charge and the pledge over the Group's investment properties (Note 13), and the bank loans bear floating interest rates with weighted average effective interest rate at 3.59% (2018: 3.55%) per annum. The amounts are repayable at the dates ranging from 2020 to 2037 and from 2019 to 2037 as at 31 December 2019 and 2018 respectively.		
d. As at 31 December 2019 and 2018, the Group's borrowings are secured by corporate guarantee issued by the Company and personal guarantee issued by the Director.		

## 21 DEFERRED TAX LIABILITIES

	As at 31 December	
	2019	2018
	S\$	S\$
As at 1 January	71,631	71,575
Recognised in profit or loss during the year:		
— Accelerated tax depreciation	(19,562)	56
As at 31 December	<u>52,069</u>	<u>71,631</u>

The deferred tax liabilities resulted from temporary taxable differences arising from accelerated depreciation in relation to capital allowance claims on qualified assets in accordance with prevailing tax laws in Singapore.

## 22 SHARE CAPITAL

	Number of shares	Par value HK\$	Share capital HK\$
At 1 January 2018, 31 December 2018 and 31 December 2019	<u>5,000,000,000</u>	<u>0.01</u>	<u>50,000,000</u>
	Number of shares		Share capital S\$
At 1 January 2018, 31 December 2018 and 31 December 2019		<u>480,000,000</u>	<u>827,586</u>

## 23 RETIREMENT BENEFIT PLAN

As prescribed by the Central Provident Fund Board of Singapore, the Company's employees employed in Singapore who are Singapore Citizens or Permanent Residents are required to join the CPF scheme. For the year ended 31 December 2019, the Group contributed up to 17% of the eligible employees' salaries to the CPF scheme, with each employee's qualifying salary capped at S\$6,000 per month.

The total costs charged to profit or loss, amounting to S\$112,029 (2018: S\$121,148) for the year ended 31 December 2019, represent contributions paid to the retirement benefits plan by the Group.

As at 31 December 2019, the CPF contribution payables amounted to S\$17,705 (2018: S\$11,776) which were paid subsequent to the end of the respective years.

## 24 RELATED PARTY TRANSACTION

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

	Year ended 31 December	
	2019	2018
	S\$	S\$
Short term benefits	647,822	457,302
Post-employment benefits	<u>36,720</u>	<u>43,170</u>
	<u><u>684,542</u></u>	<u><u>500,472</u></u>



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **GENERAL**

The Group is principally engaged in the design, supply, fabricate 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 year ended 31 December 2019, the Group recorded revenue of approximately S\$50,852,000 (2018: approximately S\$50,117,000).

The gross profit for the year ended 31 December 2019 was approximately S\$11,813,000 (2018: approximately S\$12,219,000). The gross profit margin was maintained at a range of 23.2% to 24.4% for the financial years ended 31 December 2019 and 2018.

Other gain or loss relates to gain or loss arising from disposal on property, plant and equipment.

Selling and administrative expenses for the year ended 31 December 2019 was approximately S\$4,168,000 (2018: approximately S\$4,235,000) representing a decrease of S\$67,000 mainly because of decrease in freight cost.

Other expenses for the year ended 31 December 2019 mainly related to expenses in relation to the Proposed Transfer of approximately S\$815,000.

The Group recorded a profit before tax for the year ended 31 December 2019 of approximately S\$7,681,000 exclusive of expenses in relation to the Proposed Transfer of approximately S\$815,000 (2018: approximately S\$8,025,000).

Profit after tax for the year ended 31 December 2019 was approximately S\$6,143,000 (exclusive of expenses in relation to the Proposed Transfer of approximately S\$815,000), representing a decrease of S\$400,000 as compared with prior year profit of approximately S\$6,543,000.

## **Liquidity and Financial Resources**

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 1 months to 1 year and during which the amount of progress claim varies 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 monitors the operating cash flows to ensure adequate working capital funds and repayment schedule is met.

As at 31 December 2019, the Group's borrowings comprised lease liabilities of approximately S\$231,000 (exclusive of lease liabilities in relation to the adoption of IFRS 16 of approximately S\$1,575,000) (2018: obligations under finance leases approximately S\$325,000) and bank borrowings of approximately S\$3,602,000 (2018: approximately S\$5,600,000). Effective from 1 January 2019, obligations under finance leases are classified under lease liabilities in compliance with IFRS 16.

The Group had cash and cash equivalents of approximately S\$1,870,336 (2018: approximately S\$12,977,713) which were placed with major banks in Singapore, Hong Kong and Malaysia.

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 12.4% (2018: approximately 23.2%).

## **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 listing of the Company on GEM of the Stock Exchange on 17 November 2017 by way of Share Offer in Hong Kong dollars, which exposed the Group to foreign exchange risk arising from the fluctuations of exchange rate for Hong Kong dollars 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 lease, which are secured by the relevant leased machinery and motor vehicles amounting to approximately S\$378,000 (2018: approximately S\$465,000).

## Contingent Liabilities

As at 31 December 2018 and 2019, the Group did not have any contingent liabilities.

## Capital Commitments

As at 31 December 2018 and 2019, the Group did not have any capital commitments.

## Employee Information

As at 31 December 2019, the Group had an aggregate of 141 (2018: 146) 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\$4,658,000 and S\$4,273,000 for the years ended 31 December 2019 and 2018 respectively.

## USE OF PROCEEDS

The net proceeds from the Listing, after deducting listing related expenses, were approximately HK\$35.9 million (approximately S\$6.19 million).

As at the date of this announcement, the net proceeds from the Listing have been utilised in the following manner:

	Use of proceeds as allocated in accordance with the Prospectus <sup>(1)</sup> <i>HK\$ million</i>	Use of proceeds from Listing up to 31 December 2019 <i>HK\$ million</i>	Outstanding proceeds as at 31 December 2019 <i>HK\$ million</i>
Purchase price of new fabrication facility	20.4	20.4 <sup>(2)</sup>	—
Purchase of machineries for new fabrication facility	14.7	0.1 <sup>(3)</sup>	14.6 <sup>(3)</sup>
Expansion of workforce to support business expansion	0.8	0.8	—

*Notes:*

- (1) The actual amounts allocated have been adjusted to reflect the percentage of the net proceeds actually received pursuant to the Listing.
- (2) As stated in the Prospectus, the Group intended to utilise the proceeds from the Listing to purchase a new fabrication facility by 30 June 2018. However, the Group only identified the Leased Property in the first quarter of 2019 after searching for suitable properties within the vicinity and engaging in negotiations with potential sellers. As at 31 December 2019, the Group has utilised the net proceeds raised as deposit and payment of remaining purchase consideration after the execution of the share purchase agreement for the Acquisition.
- (3) Such amount was utilised as down payment for the purchase of machinery for the Leased Property. The remaining amount is expected to be utilised by the second quarter of 2020.

The unused net proceeds have been placed as interest bearing deposits with licensed banks in Hong Kong and Singapore.

As at the date of this announcement, the Directors do not anticipate any change to the plan as to the use of proceeds.

## **BUSINESS REVIEW**

The Group is principally engaged in the design, supply, fabricate and erect structural steel works for the construction of buildings, including technological plants, industrial buildings, commercial buildings, government institutions and residential buildings in Singapore.

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\$50,852,000 and S\$50,117,000 for the years ended 31 December 2019 and 2018 respectively.

Management is actively seeking projects from other customers for diversification of customer concentration risks, and expanding existing capacity to cater to higher demands.

During the current financial year, the profit before tax for the year ended 31 December 2019 was approximately S\$7,681,000 exclusive of expenses in relation to the Proposed Transfer of approximately S\$815,000 (2018: approximately S\$8,025,000).

The Group's strategies are to expand and strengthen its market position in the structural steel work industry in Singapore through the expansion of its projection capacity and workforce.

Singapore's construction sector is being driven by a large number of infrastructure projects which will continue into the latter part of the next decade. These infrastructure projects feed into the government's overall strategy for growth which includes bringing in new companies, investing in new industry sectors and increasing the population level. Structural steel is a critical component in many of these projects.

Those large scale projects will increase demand in design and consultancy skills from the steel fabricators, which will in turn enhance their skills and productivity making them more valuable for future projects.

The Board is ultimately responsible for ensuring that the risk management practices of the Group are sufficient to mitigate the risks present in our businesses and operations as efficiently and effectively as possible. The Board delegates some of these responsibilities to various operational departments. The Group's financial position, operations, business and prospects may be affected by various risks and uncertainties such as the non-recurring nature of the Group's contracts, potential delays in projects and risks involved in engaging subcontractors. The Group adopts risk management policies, measures and monitoring systems to pre-empt and contain exposures associated with the identified risks.

Since late 2019, there has been an outbreak of a highly contagious form of novel coronavirus disease ("COVID-19") affecting a lot of countries across the world. If an outbreak of COVID-19 or any other epidemic occurs and any employees of the Group are suspected to have contracted COVID-19 or any other epidemic disease, these employees and others who have come into contact with them may be required to be quarantined and could not work and the result of which will disrupt the normal operations of the Group. The Group may also be forced to suspend the operations whilst they are being disinfected. Such suspension and disruption will have an adverse effect on the Group's operations and financial results. Furthermore, such an outbreak would likely restrict the level of economic activity in affected areas, which would also adversely affect the Group's business and financial results.

Going forward, the Group will continue to manage its expenditures, review the business strategy constantly and look for opportunities in a cautious and prudent manner.

## **PROSPECT**

### **Overall performance in 2019**

According to the Ministry of Trade and Industry (MTI), the Singapore economy expanded by 0.7% in 2019, which was slower than the 3.4% growth recorded in 2018.

The construction sector expanded by 2.8%, a turnaround from the 3.5% contraction in 2018, supported by both public sector and private sector construction works.

## **Economic outlook for 2020**

On 17 February 2020, MTI had downgraded the GDP growth forecast of Singapore for 2020 to “-0.5% to 1.5%”, with growth expected at around 0.5%, the mid-point of the forecast range due to, among others, the outbreak of COVID-19 that has affected the People’s Republic of China, Singapore and many countries around the world.

The Group expects the macroeconomic environment to remain challenging amid the COVID-19 outbreak, which has not shown signs of slowing down, crash of the crude oil prices, as well as escalating trade tensions and geopolitical risks, including uncertainty over the outcome of the upcoming United States of America election.

Going forward, the Group will continue to expand and strengthen its market position in the structural steelwork industry in Singapore through the expansion of its production capacity and workforce.

Further, the Company is in the process of considering a proposed transfer of listing of the shares of the Company from GEM to the Main Board (the “Main Board”) of the Stock Exchange. The Company will issue further announcement(s) to keep the shareholders of the Company and potential investors informed of the Proposed Transfer as and when required under the GEM Listing Rules.

The Company believes that the Proposed Transfer will enhance the profile of the Company at the Main Board which is positioned as a market for established companies with track record. This will strengthen the Company’s position in the industry and enhance the Company’s competitive strengths in retaining and attracting professional and talented staff and customers. As the Company’s business continues to grow, the enhanced profile from the Proposed Transfer will lead to greater trading liquidity of the shares of the Company.

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

As at 31 December 2019, 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 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
<b>Executive Directors:</b>			
Mr. Ong Cheng Yew	Interest of the controlled company <sup>(1)</sup>	360,000,000	75%
Ms. Koh Siew Khing <sup>(2)</sup>	Interest of spouse	360,000,000	75%

### Notes:

- (1) Broadbville 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 Broadbville 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 31 December 2019, 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 31 December 2019, the register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 December 2019, 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**

<b>Name of substantial shareholder</b>	<b>Nature of interest</b>	<b>Approximate percentage of</b>	
		<b>Number of</b>	<b>the issued</b>
		<b>shares held</b>	<b>share capital</b>
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 31 December 2019.

## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

During the year 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 17 November 2017 (the "Listing Date"), being the date of listing of the shares of the Company on GEM of the Stock Exchange, to 31 December 2019, 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 year ended 31 December 2019, 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 31 December 2019, 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 31 December 2019, 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 year ended 31 December 2019 (2018: S\$Nil).

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

On 5 September 2019, the Group acquired 100% equity interest in Kay Huat Trading Company Private Limited (“KHT”). This transaction has been accounted for as an asset acquisition.

KHT is an entity incorporated in the Republic of Singapore. Through the acquisition of 100% of the shares of KHT, the Group acquired the building located at Sungei Kadut, which will allow the construction business segment to expand. The acquisition is in line with the overall strategy of the Group to strengthen its core business activities.

Total consideration transferred at acquisition date comprise of cash consideration of S\$3,500,000.

## **SIGNIFICANT INVESTMENTS**

As at 31 December 2019, the Group did not hold any significant investments.

## **EVENTS AFTER THE REPORTING PERIOD**

The COVID-19 outbreak since early 2020 has brought additional uncertainties in the global macroeconomic situation. The Group's financial performance may have impact. The degree of impact could not be reasonably estimated at this stage. The Group will closely monitor the development of the epidemic and assess its impact on the financial position and operating results of the Group.

## **PUBLIC FLOAT**

Based on the information that is publicly available to Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the latest practicable date prior to the issue of this announcement.

## **AUDIT COMMITTEE**

The Company established an audit committee (the "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 financial statements and annual results for the year ended 31 December 2019 and has provided advice and comments thereon.

By order of the Board  
**GT Steel Construction Group Limited**  
**Ong Cheng Yew**  
*Chairman and Executive Director*

Singapore, 24 March 2020

*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 “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its publication. This announcement will also be published on the Company’s website at [www.gt-steel.com.sg](http://www.gt-steel.com.sg).*