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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 2020

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.

INTERIM RESULTS

The board (the “Board”) of the Directors is pleased to present the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June 2020, together with the unaudited comparative figures for the corresponding period of 2019, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2020

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2020	2019	2020	2019
		S\$	S\$	S\$	S\$
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	3	358,452	11,684,123	3,297,019	28,513,524
Cost of services		(696,611)	(8,879,934)	(2,929,922)	(21,828,252)
Gross (loss) profit		(338,159)	2,804,189	367,097	6,685,272
Other income	4A	142,756	85,800	214,427	132,648
Other gains	4B	—	608	—	3,608
Selling expenses		(30,862)	(67,349)	(81,807)	(113,549)
Administrative expenses		(931,598)	(822,165)	(1,796,472)	(1,596,093)
Other expenses	5	(257)	(369,490)	(57,610)	(522,041)
Finance costs	6	(36,678)	(38,500)	(85,915)	(75,321)
(Loss)Profit before taxation	7	(1,194,798)	1,593,093	(1,440,280)	4,514,524
Income tax expense	8	—	(330,073)	(277,332)	(920,334)
(Loss)Profit for the period		(1,194,798)	1,263,020	(1,717,612)	3,594,190
Other comprehensive income					
<i>Item that was subsequently reclassified to profit or loss</i>		—	—	7,465	2,441
Total comprehensive (expense) income for the period		(1,194,798)	1,263,020	(1,710,147)	3,596,631
Basic (loss) earnings per share (\$ cents)	10	(0.25)	0.26	(0.36)	0.75

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		As at 30 June 2020 S\$ (Unaudited)	As at 31 December 2019 S\$ (Audited)
Non-current assets			
Property, plant & equipment	13	3,500,711	3,801,076
Right-of-use assets	14	1,624,777	1,956,215
Investment properties		<u>2,605,042</u>	<u>2,631,675</u>
		<u>7,730,530</u>	<u>8,388,966</u>
Current assets			
Trade receivables	15	19,047,341	20,943,010
Contract assets	16	8,755,887	13,336,349
Deposits, prepayments and other receivables	17	319,071	358,428
Bank balances and cash		2,005,561	1,870,336
Pledged bank deposits		<u>2,869,580</u>	<u>2,941,810</u>
		<u>32,997,440</u>	<u>39,449,933</u>
Current liabilities			
Trade and other payables	18	6,084,157	9,786,014
Lease liabilities	14	498,343	547,116
Borrowings		1,237,643	2,487,524
Income tax payable		<u>1,577,653</u>	<u>1,773,739</u>
		<u>9,397,796</u>	<u>14,594,393</u>
Net current assets		<u>23,599,644</u>	<u>24,855,540</u>
Total assets less current liabilities		<u>31,330,174</u>	<u>33,244,506</u>

		As at 30 June 2020 S\$ (Unaudited)	As at 31 December 2019 S\$ (Audited)
Non-current liabilities			
Lease liabilities		1,097,425	1,258,616
Borrowings		1,071,228	1,114,222
Deferred tax liabilities		52,069	52,069
		<u>2,220,722</u>	<u>2,424,907</u>
Net assets		<u>29,109,452</u>	<u>30,819,599</u>
Capital and reserves			
Share capital	19	827,586	827,586
Share premium		8,613,061	8,613,061
Merger reserves		2,999,983	2,999,983
Accumulated profits		16,668,822	18,386,434
Translation reserve		—	(7,465)
		<u>29,109,452</u>	<u>30,819,599</u>
Equity attributable to owners of the Company		<u>29,109,452</u>	<u>30,819,599</u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share Capital S\$	Share Premium S\$	Merger Reserves S\$	Accumulated Profits S\$	Translation Reserve S\$	Total S\$
At 1 January 2019 (audited)	827,586	8,613,061	2,999,983	13,058,338	(2,441)	25,496,527
Total comprehensive income for the period	—	—	—	3,594,190	2,441	3,596,631
At 30 June 2019 (unaudited)	<u>827,586</u>	<u>8,613,061</u>	<u>2,999,983</u>	<u>16,652,528</u>	—	<u>29,093,158</u>
At 1 January 2020 (audited)	827,586	8,613,061	2,999,983	18,386,434	(7,465)	30,819,599
Total comprehensive expense for the period	—	—	—	<u>(1,717,612)</u>	<u>7,465</u>	<u>(1,710,147)</u>
At 30 June 2020 (unaudited)	<u>827,586</u>	<u>8,613,061</u>	<u>2,999,983</u>	<u>16,668,822</u>	—	<u>29,109,452</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended	
	30 June	
	2020	2019
	S\$	S\$
	(Unaudited)	(Unaudited)
Net cash from (used) in operating activities	1,907,456	(4,347,310)
Net cash used in investing activities	(190,938)	(3,636,034)
Net cash used in financing activities	(1,588,758)	(2,124,929)
Net increase (decrease) in cash and cash equivalents	127,760	(10,108,273)
Cash and cash equivalents at beginning of the period	1,870,336	16,962,802
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	7,465	2,441
Cash and cash equivalents at end of the period	<u>2,005,561</u>	<u>6,856,970</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 issued shares of the Company (the “Shares”) are listed on GEM of the Stock Exchange with effect from 17 November 2017.

Broadbville Limited (“Broadbville”), a company incorporated in the British Virgin Islands (“BVI”) with limited liability, is the Company’s ultimate holding company. Its ultimate controlling party is Mr. Ong Cheng Yew, 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\$”), which is also the functional currency of the Company.

The unaudited consolidated interim financial information was approved by the Board on 13 August 2020.

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

New and amended IFRSs that are effective for the current period

Amendments to IFRS 3 ⁽ⁱ⁾	Definition of a business
Amendments to IAS 1 and IAS 8 ⁽ⁱⁱ⁾	Definition of material
Amendments to IFRS 9, IAS 39 and IFRS 7 ⁽ⁱⁱⁱ⁾	Interest Rate Benchmark Reform

- (i) 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.
- (ii) Effective for annual periods beginning on or after 1 January 2020.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17 ⁽ⁱ⁾	Insurance Contracts
Amendments to IFRS 10 and IAS 28 ⁽ⁱⁱ⁾	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

- (i) Effective for annual periods beginning on or after 1 January 2021.
- (ii) Effective for annual periods beginning on or after a date to be determined.

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 results 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 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		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from:				
Provision of structural steel-works services	<u>358,452</u>	<u>11,684,123</u>	<u>3,297,019</u>	<u>28,513,524</u>

Major customers

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

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Customer I	N/A*	6,206,177	1,117,951	20,121,064
Customer II	N/A*	2,230,017	1,042,993	N/A*
Customer III	N/A*	1,906,500	N/A*	N/A*

* 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		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Singapore	358,452	11,684,123	3,297,019	28,508,480
Malaysia	—	—	—	5,044
	<u>358,452</u>	<u>11,684,123</u>	<u>3,297,019</u>	<u>28,513,524</u>

4. A. OTHER INCOME

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Insurance claim receipt	—	—	29,245	179
Government grants ^(a)	105,696	—	115,293	9,040
Rental income	32,442	31,329	65,271	59,658
Sundry income	4,618	54,471	4,618	63,771
	<u>142,756</u>	<u>85,800</u>	<u>214,427</u>	<u>132,648</u>

Note:

- (a) During the period of COVID-19, in order to help employers to retain the local employees, the Government of Singapore granted Job Support Scheme.

B. OTHER GAINS

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment	—	608	—	3,608
	<u>—</u>	<u>608</u>	<u>—</u>	<u>3,608</u>

5. OTHER EXPENSES

This is pertaining to the expenses in relation to the proposed transfer of listing of the Shares from GEM to the Main Board of the Stock Exchange (the “Proposed Transfer”), which is S\$257 and S\$57,610 for the three months and six months ended 30 June 2020 respectively, all unaudited. On 13 July 2020, the Company has decided not to continue with the application for the Proposed Transfer.

6. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on:				
Bank borrowings				
— wholly repayable				
within five years	9,685	23,486	29,166	45,706
— not wholly repayable				
within five years	9,697	11,430	20,448	22,297
Lease liabilities	17,296	3,584	36,301	7,318
	<u>36,678</u>	<u>38,500</u>	<u>85,915</u>	<u>75,321</u>

7. (LOSS) PROFIT BEFORE TAXATION

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit for the period has been arrived at after charging:				
Expenses in relation to the Proposed Transfer	257	369,490	57,610	522,041
Depreciation of property, plant and equipment:				
— Recognised in cost of services	49,163	114,228	169,360	227,116
— Recognised in administrative expenses	211,667	53,491	370,987	106,555
Depreciation of right-of-use assets:				
— Recognised in cost of services	—	84,337	84,337	168,674
— Recognised in administrative expenses	156,988	—	247,101	—
Depreciation of investment properties	13,317	13,317	26,633	26,633
Directors' remuneration	115,880	213,776	258,178	283,429
Other staff costs				
— Salaries and wages	204,279	903,498	1,093,186 ^(a)	1,933,434
— Defined contribution plans	14,297	20,549	34,644	47,415
— Other staff benefits	11,202	29,949	27,096	56,394
Total staff costs	345,658	1,167,772	1,413,104	2,320,672
Cost of materials recognised as expenses	175,512	3,167,792	576,095	5,893,059
Subcontractor costs recognised as expenses	322,174	4,536,822	1,128,429	12,345,809

Note:

- (a) Due to the outbreak of novel coronavirus disease (“COVID-19”), the Government of Singapore implemented Circuit Breaker Measures (the “CB Measures”) from 7 April 2020 to 1 June 2020. During this period, wages and salaries were reduced due to (i) closure of workplace premises; (ii) the quarantine requirements of the foreign workers; and (iii) delay or suspension of the projects which significantly affect the Group’s financial results. However, with the Government of Singapore’s help through the Job Support Scheme, the degree of impact on the cashflow of the Group is not material.

8. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Tax expense comprises:				
Current tax				
— Singapore corporate income tax (“CIT”)	—	330,073	—	899,703
— under provision in prior years	—	—	277,332	14,148
Deferred tax expense				
— under provision in prior years	—	—	—	6,483
	<u>—</u>	<u>330,073</u>	<u>277,332</u>	<u>920,334</u>

Singapore CIT is calculated at 17% (2019: 17%) of the estimated assessable loss for the period.

9. DIVIDEND

The Directors do not recommend the payment of dividend for the six months ended 30 June 2020 (2019: nil).

10. (LOSS)/EARNINGS PER SHARE

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

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

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit attributable to the owners of the Company (S\$)	(1,194,798)	1,263,020	(1,717,612)	3,594,190
Weighted average number of ordinary shares in issue	480,000,000	480,000,000	480,000,000	480,000,000
Basic (loss)/earnings per share (S\$ cents)	<u>(0.25)</u>	<u>0.26</u>	<u>(0.36)</u>	<u>0.75</u>

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 the Directors and other members of key management during the period were as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Short term benefits	131,594	257,514	294,772	372,286
Post-employment benefits	9,180	10,800	18,360	21,600
	<u>140,774</u>	<u>268,314</u>	<u>313,132</u>	<u>393,886</u>

12. RESERVES

During the period under review, there was no movement to and from any reserves other than loss for the six months ended 30 June 2020.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired assets with aggregate cost of approximately S\$263,000 (2019: approximately S\$140,000) of which S\$40,000 (2019: approximately S\$56,800) was acquired under finance leases.

The Group incurred depreciation expenses for the six months ended 30 June 2020 of approximately S\$562,000 (2019: approximately S\$334,000).

14. RIGHT-OF-USE ASSETS

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

The Group incurred depreciation expenses for the six months ended 30 June 2020 of approximately S\$331,000 (2019: approximately S\$169,000).

15. TRADE RECEIVABLES

	As at 30 June 2020 S\$ (Unaudited)	As at 31 December 2019 S\$ (Audited)
Trade receivables	12,384,522	6,117,832
Unbilled revenue ^(Note)	<u>6,662,819</u>	<u>14,825,178</u>
	<u>19,047,341</u>	<u>20,943,010</u>

Note: 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:

	As at 30 June 2020 S\$ (Unaudited)	As at 31 December 2019 S\$ (Audited)
Within 30 days	—	5,449,680
31 days to 60 days	400,295	538,672
Over 90 days	<u>11,984,227^(a)</u>	<u>129,480</u>
	<u>12,384,522</u>	<u>6,117,832</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 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.

Note:

- (a) Due to the outbreak of COVID-19 and after the CB Measures were implemented by the Government of Singapore, most of the construction companies have not commenced work as (i) the foreign workers of the Group were quarantined; and (ii) critical work activities may need to be extended or rescheduled, and contractors may need to adjust their means and methods for performing work to comply with governmental instructions and mandates which result in the delay of the payments from the customers.

The Group expects the collection from the customers will slow down from the major customers due to the outbreak of COVID-19. The Group will continue to monitor the outstanding balances.

The Directors considered that the ECL for trade receivables is insignificant as at 30 June 2020.

16. CONTRACT ASSETS

	As at 30 June 2020 S\$ (Unaudited)	As at 31 December 2019 S\$ (Audited)
Analysed for reporting purposes as:		
Contract assets	<u>8,755,887</u>	<u>13,336,349</u>
	<u><u>8,755,887</u></u>	<u><u>13,336,349</u></u>

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.

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 30 June 2020.

17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2020 S\$ (Unaudited)	As at 31 December 2019 S\$ (Audited)
Deposits ^(a)	232,097	156,752
Prepayments	<u>86,974</u>	<u>201,676</u>
	<u><u>319,071</u></u>	<u><u>358,428</u></u>

Note:

(a) The Directors considered that the ECL on deposits is insignificant as at 30 June 2020.

18. TRADE AND OTHER PAYABLES

	As at 30 June 2020 S\$ (Unaudited)	As at 31 December 2019 S\$ (Audited)
Trade payables	5,272,182	5,981,730
Trade accruals	—	2,226,314
GST payables	56,644	88,065
Other payables	366,718	900,141
Deposits received	22,886	22,886
Provision for unutilised leave	26,173	26,173
Salaries and CPF payables	<u>339,554</u>	<u>540,705</u>
	<u><u>6,084,157</u></u>	<u><u>9,786,014</u></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 2020 S\$ (Unaudited)	As at 31 December 2019 S\$ (Audited)
Within 30 days	654,728	3,132,064
31 days to 60 days	190,507	1,342,525
61 days to 90 days	429,598	136,735
Over 90 days	3,997,349 ^(a)	1,370,406
	<u>5,272,182</u>	<u>5,981,730</u>

Note:

- (a) Due to (i) the outbreak of COVID-19; (ii) the CB Measures; and (iii) the quarantine of the foreign workers which result in the delay or suspension of the projects and significantly affect the Group's business and financial results. Hence, the payment to the suppliers is slowing down.

19. 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 1 January 2019, 31 December 2019 (audited) and 30 June 2020 (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 1 January 2019, 31 December 2019 (audited) and 30 June 2020 (unaudited)	<u>480,000,000</u>	<u>827,586</u>

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

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 2020, the Group recorded an unaudited revenue of approximately S\$3,297,000 (2019: approximately S\$28,514,000) and loss of approximately S\$1,660,000 (exclusive of the expenses in relation to the Proposed Transfer of approximately S\$58,000) (2019: profit of approximately S\$4,116,000 exclusive of the expenses in relation to the Proposed Transfer of approximately S\$522,000).

The gross profit for the six months ended 30 June 2020 was approximately S\$367,000 (2019: approximately S\$6,685,000).

The loss for the period is mainly contributed by the outbreak of COVID-19 since early 2020, the CB Measures implemented by the Government of Singapore from 7 April 2020 to 1 June 2020, and quarantine requirements for the foreign workers which caused the delay and suspension of projects.

Other income for the six months ended 30 June 2020 was approximately S\$214,000 (2019: approximately S\$133,000). The increase is mainly contributed by Job Support Scheme granted by Government of Singapore to help employers to retain the local employees during the period of COVID-19.

Selling and administrative expenses for the six months ended 30 June 2020 was approximately S\$1,878,000 (2019: approximately S\$1,710,000).

Other expenses for the six months ended 30 June 2020 were mainly related to the expenses of approximately S\$58,000 for the Proposed Transfer (2019: approximately S\$522,000). On 13 July 2020, the Company has decided not to continue with the application for the Proposed Transfer.

The Group recorded a loss before taxation for the six months ended 30 June 2020 of approximately S\$1,383,000 (exclusive of the expenses in relation to the Proposed Transfer of approximately S\$58,000) (2019: profit before taxation of approximately S\$5,037,000 exclusive of the expenses in relation to the Proposed Transfer of approximately S\$522,000) representing a decrease of S\$6,420,000 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\$23,600,000 (31 December 2019: approximately S\$24,856,000) and the Group has cash and cash equivalent of approximately S\$2,006,000 (31 December 2019: approximately S\$1,870,000) which were placed with major banks in Singapore, Hong Kong and Malaysia.

For the period under review, the net cash from operating activities was approximately S\$1,907,000.

As at 30 June 2020, the Group's borrowings comprised the lease liabilities of approximately S\$1,596,000 (31 December 2019: approximately S\$1,806,000) and bank borrowings of approximately S\$2,309,000 (31 December 2019: approximately S\$3,602,000).

The Group's current ratio was approximately 3.5 times (31 December 2019: approximately 2.7 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 8.8% (31 December 2019: approximately 12.4%).

The Group's total equity attributable to owners of the Group amounted to approximately S\$29,109,000 (31 December 2019: approximately S\$30,820,000). The capital of the Group mainly comprises share capital and reserves.

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.

Reserves

Movement in the reserves of the Group for the six months ended 30 June 2020 are set out above in the unaudited condensed consolidated statement of changes in equity.

Dividend

No dividend was paid, proposed or declared for the ordinary shareholders of the Company (the “Shareholders”) for the six months ended 30 June 2020 (2019: Nil).

Capital Commitments

As at 30 June 2020, the Group did not have any capital commitments (2019: Nil).

Contingent Liabilities

As at 30 June 2020, the Group did not have any contingent liabilities (2019: Nil).

Employee Information

As at 30 June 2020, the Group had an aggregate of 138 (2019: 138) 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 contractual basis of one or two years and are remunerated according to their work skills.

Total staff costs, including the Directors’ emoluments, amounted to approximately S\$1,413,000 for the six months ended 30 June 2020 (2019: approximately S\$2,321,000).

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as set out in the prospectus of the Company dated 30 October 2017 (the “Prospectus”) with the Group’s actual business progress, from 17 November 2017, being the date of listing (the “Listing”) of the Shares on GEM of the Stock Exchange, to 30 June 2020 (the “Review Period”) is set out below:

Business strategies

Actual business progress during the Review Period

- | | |
|----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| — Purchase of new fabrication facility | — The Group has fully utilised approximately HK\$20.4 million for the purchase of new fabrication facility |
| — Expand our workforce to support our business expansion | — The Group has fully utilised approximately HK\$0.8 million for the expansion of workforce in 2018 to support business expansion |
| — Purchase of machineries for new fabrication facility | — The Group has utilised approximately HK\$0.1 million for the purchase of machineries for the leased property located at 12 Sungei Kadut Loop, Singapore 729456 (the “Leased Property”). The remaining amount of approximately HK\$14.6 million is expected to be utilised by 2022 which is delayed due to the outbreak of COVID-19. |

USE OF PROCEEDS

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

As at 30 June 2020, the net proceeds from the Listing have been utilised in the following manner:

	Use of proceeds as allocated in accordance with the Prospectus <i>(Note (1))</i> HK\$ million	Use of proceeds from the Listing up to 30 June 2020 HK\$ million	Outstanding proceeds as at 30 June 2020 HK\$ million
Purchase price of new fabrication facility	20.4	20.4 ⁽²⁾	—
Purchase of machineries for new fabrication facility	14.7	0.1 ⁽³⁾	14.6 ⁽³⁾
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 30 June 2020, the Group has utilised the net proceeds raised as deposits and payment of consideration for the acquisition of the new fabrication facility.
- (3) Such amount was utilised for the purchase of machineries for the Leased Property. The remaining amount of approximately HK\$14.6 million is expected to be utilised by 2022 which is delayed due to the outbreak of COVID-19.

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\$3,297,000 and S\$28,514,000 for the six months ended 30 June 2020 and 2019, respectively.

The loss after taxation for the six months ended 30 June 2020 was approximately S\$1,660,000 (exclusive of the expenses in relation to the Proposed Transfer of approximately S\$58,000) (2019: profit of approximately S\$4,116,000 exclusive of the expenses in relation to the Proposed Transfer of approximately S\$522,000) representing a decrease of S\$5,776,000 as compared with the corresponding period of last year.

The loss after taxation is mainly contributed by the outbreak of COVID-19 since early 2020, the CB Measures, and quarantine requirements for the foreign workers which caused the delay and suspension of projects.

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

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 production 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 COVID-19 affecting a lot of countries across the world. Since then, the projects of the Group have been slowed down, delayed or suspended. In compliance with the CB Measures, the Group has stopped its business operation from 7 April 2020 to 1 June 2020, which significantly affected 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.

Moreover, the formal application dated 15 May 2019 to the Stock Exchange for the Proposed Transfer had lapsed in June 2020. The Board believes that the lapse of the application has no material adverse effect to the business operation and/or finance of the Company. Since the outbreak of COVID-19, the Group has devoted most of its resources to deal with changes in daily operation which was affected by the outbreak of COVID-19. The Company has decided not to proceed with the application. However, the Company may re-consider the Proposed Transfer at a later stage.

Prospect

Economic outlook for 2020

Based on advance estimates, the Singapore economy contracted by 12.6% on a year-on-year basis in the second quarter of 2020, due to (i) the implementation of the CB Measures to slow the spread of COVID-19, which included the suspension of non-essential services and closure of most workplace premises, as well as (ii) weak external demand amidst a global economic downturn precipitated by the COVID-19 pandemic. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy shrank by 41.2% in the second quarter of 2020.

In Singapore, the construction sector accounted for about 4% of Singapore's total gross domestic product in 2019. The Building and Construction Authority of Singapore projected the total construction demand to be up to S\$35 billion in 2023. However, the outbreak of the COVID-19 pandemic in 2020 has reversed the modest growth that the construction sector had in 2019.

The Group expects the macroeconomic environment to remain challenging amid the COVID-19 outbreak, which has shown signs of slowing down, crash of the crude oil prices, as well as escalating trade tensions and geopolitical risks, including the uncertainties over the outcome of the upcoming presidential election in the United States of America.

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.

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 2020, 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 (Cap. 571 of the Laws of Hong Kong) (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 the 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
Mr. Ong Cheng Yew	Interest of the controlled company ⁽¹⁾	360,000,000	75%
Ms. Koh Siew Khing	Interest of spouse ⁽²⁾	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 held by Broadville Limited under the SFO.
- (2) Ms. Koh Siew Khing is the spouse of Mr. Ong Cheng Yew and is deemed to be interested in all the Shares in which Mr. Ong Cheng Yew is interested in under the SFO.

Save as disclosed above, as at 30 June 2020, 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 the 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 2020, the register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 June 2020, 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 2020.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY THE DIRECTORS

During the six months ended 30 June 2020, 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 the 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 during the six months ended 30 June 2020.

Code Provision A.2.1 of the CG Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ong Cheng Yew is the chairman of the Board. The position of chief executive officer of the Company remains vacant. The responsibilities of the chief executive officer are taken up by the executive Directors. The Board believes that this arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company’s objectives efficiently and effectively. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Vinco Capital Limited, as at 30 June 2020, 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 summarised in the section headed “Share Option Scheme” in Appendix V to the Prospectus.

As at 30 June 2020, 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 Board does not recommend the payment of dividend for the six months ended 30 June 2020 (2019: Nil).

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 2020.

EVENTS AFTER THE FINANCIAL PERIOD

No significant events have taken place after the six months ended 30 June 2020 to the date 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 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 the 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 2020 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, 13 August 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 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.