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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 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.

RESULTS

The board (the “Board”) of the Directors is pleased to present the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020 together with comparative figures for the corresponding year in 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE (EXPENSES) INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	<i>Note</i>	2020 S\$	2019 S\$
Revenue	3	10,153,652	50,851,802
Cost of services		<u>(9,975,628)</u>	<u>(39,038,620)</u>
Gross profit		178,024	11,813,182
Other income	4a	1,041,376	222,021
Other gains	4b	—	3,498
Selling expenses		(153,760)	(208,486)
Administrative expenses		(4,410,182)	(3,959,622)
Other expenses	4c	(150,573)	(814,858)
Impairment loss recognised on financial assets	14	(88,945)	—
Finance costs	5	<u>(185,722)</u>	<u>(189,202)</u>
(Loss) Profit before taxation		(3,769,782)	6,866,533
Income tax credit (expense)	6	<u>378,910</u>	<u>(1,538,437)</u>
(Loss) Profit for the year	7	<u>(3,390,872)</u>	<u>5,328,096</u>
Other comprehensive income (expense)			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Exchange differences on translation of foreign operation		<u>16,114</u>	<u>(5,024)</u>
Total comprehensive (expense) income for the year		<u>(3,374,758)</u>	<u>5,323,072</u>
Basic (loss) earnings per share (S\$ cents)	10	<u>(0.71)</u>	<u>1.11</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

		31 December	31 December
		2020	2019
	<i>Note</i>	<i>S\$</i>	<i>S\$</i>
Non-current assets			
Property, plant and equipment	11	3,041,508	3,801,076
Right-of-use assets	12	2,075,593	1,956,215
Investment properties	13	2,578,409	2,631,675
Deferred tax assets	21	326,954	—
		<u>8,022,464</u>	<u>8,388,966</u>
Current assets			
Trade receivables	14	5,155,488	20,943,010
Contract assets	15	16,655,647	13,336,349
Deposits, prepayments and other receivables	16	612,769	358,428
Bank balances and cash	17a	7,554,507	1,870,336
Pledged bank deposits	17b	2,974,481	2,941,810
		<u>32,952,892</u>	<u>39,449,933</u>
Current liabilities			
Trade and other payables	18	5,031,893	9,786,014
Contract liabilities	15	17,277	—
Lease liabilities	19	626,189	547,116
Borrowings	20	1,049,677	2,487,524
Income tax payable		719,824	1,773,739
		<u>7,444,860</u>	<u>14,594,393</u>
Net current assets		<u>25,508,032</u>	<u>24,855,540</u>
Total assets less current liabilities		<u>33,530,496</u>	<u>33,244,506</u>

		31 December	31 December
		2020	2019
	<i>Note</i>	<i>S\$</i>	<i>S\$</i>
Non-current liabilities			
Lease liabilities	19	1,194,659	1,258,616
Borrowings	20	4,890,996	1,114,222
Deferred tax liabilities	21	—	52,069
		<u>6,085,655</u>	<u>2,424,907</u>
Net assets		<u>27,444,841</u>	<u>30,819,599</u>
Capital and reserves			
Share capital	22	827,586	827,586
Share premium		8,613,061	8,613,061
Merger reserves		2,999,983	2,999,983
Accumulated profits		14,995,562	18,386,434
Translation reserve		8,649	(7,465)
		<u>27,444,841</u>	<u>30,819,599</u>
Equity attributable to owners of the Company		<u>27,444,841</u>	<u>30,819,599</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Share capital S\$	Share premium (Note A) S\$	Merger reserves (Note B) S\$	Accumulated profits S\$	Translation Reserve S\$	Total S\$
At 1 January 2019	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)
Total	—	—	—	5,328,096	(5,024)	5,323,072
At 31 December 2019	<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>
<i>Total comprehensive income (expense) for the year:</i>						
Loss for the year	—	—	—	(3,390,872)	—	(3,390,872)
Other comprehensive income for the year	—	—	—	—	16,114	16,114
Total	—	—	—	(3,390,872)	16,114	(3,374,758)
At 31 December 2020	<u>827,586</u>	<u>8,613,061</u>	<u>2,999,983</u>	<u>14,995,562</u>	<u>8,649</u>	<u>27,444,841</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 group reorganisation in 2017 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 2020

	2020	2019
	S\$	S\$
Operating activities		
(Loss) Profit before taxation	(3,769,782)	6,866,533
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	949,455	751,695
Depreciation of investment properties	53,266	53,266
Depreciation of right-of-use assets	660,057	533,030
Gain on disposal of property, plant and equipment	—	(3,498)
Impairment loss on trade receivables	88,945	—
Interest income	(55,564)	(76,184)
Finance costs	185,722	189,202
	<hr/>	<hr/>
Operating cash flows before movement in working capital	(1,887,901)	8,314,044
<i>Movement in working capital:</i>		
Decrease (Increase) in trade receivables	15,698,577	(14,491,274)
(Increase) Decrease in deposits, prepayments and other receivables	(254,341)	3,414,894
Increase in contract assets	(3,319,298)	(3,260,675)
(Decrease) Increase in trade and other payables	(4,754,121)	1,434,465
Increase in contract liabilities	17,277	—
	<hr/>	<hr/>
Cash from (used in) operations	5,500,193	(4,588,546)
Income taxes paid	(1,053,915)	(1,267,619)
	<hr/>	<hr/>
Net cash from (used in) operating activities	4,446,278	(5,856,165)
	<hr/>	<hr/>
Investing activities		
Purchase of property, plant and equipment	(189,887)	(3,639,675)
Addition to right-of-use assets	(154,367)	(56,800)
Proceeds from disposal of property, plant and equipment	—	4,000
	<hr/>	<hr/>
Net cash used in investing activities	(344,254)	(3,692,475)
	<hr/>	<hr/>

	2020	2019
	S\$	S\$
Financing activities		
Repayment of lease liabilities	(610,065)	(485,906)
Proceeds from borrowings	6,329,666	7,532,892
Repayments of borrowings	(3,990,739)	(9,530,960)
Interest received	55,564	76,184
Interest paid	(185,722)	(189,202)
Fixed deposits pledged	(32,671)	1,043,279
	<u>1,566,033</u>	<u>(1,553,713)</u>
Net cash from (used in) financing activities		
Net increase (decrease) in cash and cash equivalents	5,668,057	(11,102,353)
Cash and cash equivalents at beginning of the year	1,870,336	12,977,713
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	16,114	(5,024)
	<u>7,554,507</u>	<u>1,870,336</u>
Cash and cash equivalents at end of the year (Note 17a)		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

1 GENERAL

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 1 February 2017. The address of 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 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 of Directors of the Company on 31 March 2021.

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

New and amended IFRSs that are effective for the current year

On 1 January 2020, the Group adopted all the new and revised IFRSs and Interpretations of IFRS (“IFRIC”) that are relevant to its operations. The adoption of these new/revised IFRSs and IFRIC does not result in significant changes to the Group’s accounting policies and has no material effect on the disclosures or on the amounts reported for the current or prior periods.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In the current financial year, the Group has considered the application of the amendment to IFRS 16 (as issued by the International Accounting Standards Board (“IASB”) in May 2020) in advance of its effective date.

As the Group is not a lessee of any assets to qualify for such rent concessions, the application of the amendment to IFRS 16 did not have any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

New and revised IFRS Standards 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	<i>Insurance Contracts and the related Amendments</i> ¹
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i> ⁴
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> ¹
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to IAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i> ²
Amendments to IAS 16	<i>Property, Plant and Equipment — Proceeds before Intended Use</i> ²
Amendments to IAS 37	<i>Onerous contracts — Cost of Fulfilling a Contract</i> ²
Amendments to IFRSs	<i>Annual Improvements to IFRS Standards 2018–2020</i> ²

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

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2021

The directors of the Company do not expect that the adoption of the new and amendments to IFRSs listed above will have a material impact on the consolidated financial statements of the Group in future periods.

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:

	Year ended 31 December	
	2020	2019
	S\$	S\$
Revenue from:		
Provision of structural steelworks services	<u>10,153,652</u>	<u>50,851,802</u>

Timing of recognition

Revenue based by timing of recognition are as follows:

	Year ended 31 December	
	2020	2019
	S\$	S\$
Over time	<u>10,153,652</u>	<u>50,851,802</u>

Major customers

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

	Year ended 31 December	
	2020	2019
	S\$	S\$
Customer I	6,746,602	N/A*
Customer II	2,368,462	N/A*
Customer III	N/A*	28,230,666
Customer IV	<u>N/A*</u>	<u>16,439,815</u>

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

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied as at the end of each reporting period:

	Year ended 31 December	
	2020	2019
	S\$	S\$
Provision of structural steelworks services	<u>8,180,730</u>	<u>1,557,227</u>

Management expects that 100% of the transaction price allocated to the unsatisfied contracts as of 31 December 2020 will be recognised as revenue during the next reporting period.

Geographical information

Revenue based on geographical location of customers are as follows:

	Year ended 31 December	
	2020	2019
	S\$	S\$
Singapore	10,153,652	50,846,767
Malaysia	—	5,035
	<u>10,153,652</u>	<u>50,851,802</u>

4 A. OTHER INCOME

	2020	2019
	S\$	S\$
Insurance claim receipt	29,245	179
Government grants (<i>Note a</i>)	808,163	11,178
Rental income	111,521	125,316
Interest income	55,564	76,184
Sundry income	36,883	9,164
	<u>1,041,376</u>	<u>222,021</u>

Note a:

Government grants in 2020 mainly include COVID-19-related support by the Singapore government to help companies tide through this period of economic uncertainty, such as the Foreign Worker Levy (“FWL”) rebates, the Jobs Support Scheme (“JSS”), COVID-Safe project-based and firm-based supports, property tax rebates, and additional cash grants.

Government grants received during the financial year ended 31 December 2019 mainly include the Wage Credit Scheme (“WCS”) and Special Employment Credit (“SEC”).

All government grants received are incentives as compensation of expenses or losses already incurred or as immediate financial support to the Company with no future related costs and no relation to any assets received upon fulfilling the conditions attached to them.

B. OTHER GAINS

	Year ended 31 December	
	2020	2019
	S\$	S\$
Gain on disposal of property, plant and equipment	—	3,498

C. OTHER EXPENSES

Year ended 31 December

2020	2019
S\$	S\$

Listing expenses	<u>150,573</u>	<u>814,858</u>
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5 FINANCE COSTS

Year ended 31 December

2020	2019
S\$	S\$

Interest on:		
Bank borrowings	92,132	125,737
Lease liabilities	<u>93,590</u>	<u>63,465</u>
	<u>185,722</u>	<u>189,202</u>

6 INCOME TAX (CREDIT) EXPENSE

Year ended 31 December

2020	2019
S\$	S\$

Tax expense comprises:		
Current tax:		
— Singapore corporate income tax (“CIT”)	—	1,497,640
— Underprovision in prior years	—	60,359
Deferred tax (<i>Note 21</i>):		
— Current year	(388,388)	(19,562)
— Underprovision in prior years	<u>9,478</u>	<u>—</u>
	<u>(378,910)</u>	<u>1,538,437</u>

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

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

	Year ended 31 December	
	2020	2019
	S\$	S\$
(Loss) Profit before taxation	<u>(3,769,782)</u>	<u>6,866,533</u>
Tax at applicable tax rate of 17%	(640,863)	1,167,311
Tax effect of expenses not deductible for tax purpose	289,883	320,006
Tax effect of income not taxable for tax purpose	(39,975)	(717)
Effect of tax concessions (<i>Note a</i>)	—	(17,425)
Effect of different tax rates of subsidiary operating in other jurisdictions	(186)	514
Underprovision of current tax in prior years	—	60,359
Underprovision of deferred tax in prior years	9,478	—
Others	<u>2,753</u>	<u>8,389</u>
Income tax (credit) expense for the year	<u>(378,910)</u>	<u>1,538,437</u>

Note:

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

7 (LOSS) PROFIT FOR THE YEAR

(Loss) Profit for the year has been arrived at after charging:

	Year ended 31 December	
	2020	2019
	S\$	S\$
Audit fees paid to auditors of the Company:		
— Annual audit fees	165,000	180,000
Listing transfer expenses (<i>Note a</i>)	150,573	814,858
Depreciation of property, plant and equipment (<i>Note 11</i>)		
— Recognised in cost of services	149,892	398,203
— Recognised in administrative expenses	799,563	353,492
Depreciation of right-of-use assets (<i>Note 12</i>)		
— Recognised in cost of services	251,246	337,350
— Recognised in administrative expenses	408,811	195,680
Depreciation of investment properties (<i>Note 13</i>)	53,266	53,266
Directors' emoluments (<i>Note 8</i>)	535,551	567,174
Other staff costs:		
— Salaries and wages	2,643,954	3,925,045
— Defined contribution plans	71,762	89,310
— Other staff benefits	57,724	76,452
Total staff costs	<u>2,773,440</u>	<u>4,090,807</u>
Cost of materials recognised as expenses	2,687,271	10,586,026
Subcontractor costs recognised as expenses	<u>4,692,840</u>	<u>22,871,554</u>

Note:

- a. This pertains to expenses incurred in relation to the proposed transfer of listing of the Shares from GEM to the Main Board of the Stock Exchange (the "Proposed Transfer"). On 13 July 2020, the Company has decided not to continue with the application for the Proposed Transfer.

8 DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to the directors of the Company for their services in connection with the management affairs of the Group during the year are as follows:

Year ended 31 December 2020

	Fees S\$	Discretionary bonus S\$	Salaries and allowances S\$	Contributions to retirement benefit scheme S\$	Total S\$
Executive Directors					
Mr. Ong Cheng Yew	—	—	223,467	12,240	235,707
Ms. Koh Siew Khing	—	—	223,467	12,240	235,707
Independent Non-Executive Directors					
Mr. Tam Wai Tak Victor	21,359	—	—	—	21,359
Ms. Chooi Pey Nee	21,389	—	—	—	21,389
Mr. Tan Yeok Lim	21,389	—	—	—	21,389
	<u>64,137</u>	<u>—</u>	<u>446,934</u>	<u>24,480</u>	<u>535,551</u>

Year ended 31 December 2019

	Fees S\$	Discretionary bonus S\$	Salaries and allowances S\$	Contributions to retirement benefit scheme S\$	Total S\$
Executive Directors					
Mr. Ong Cheng Yew	—	—	240,000	12,240	252,240
Ms. Koh Siew Khing	—	—	240,000	12,240	252,240
Independent Non-Executive Directors					
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>

Note:

- No other retirement benefits were paid to Mr. Ong Cheng Yew 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 Company and 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 2020 included two (2019: two) directors, details of whose remunerations are set out above. Details of the remuneration for the remaining three (2019: three) highest paid employees who are not directors of the Company are as follows:

	Year ended 31 December	
	2020	2019
	S\$	S\$
Salaries and allowances	219,002	240,658
Contributions to retirement benefits scheme	18,447	20,393
	<u>237,449</u>	<u>261,051</u>

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

Emolument bands	Number of Employees	
	Year ended 31 December	
	2020	2019
Nil to HK\$500,000	2	2
HK\$500,001 to HK\$1,000,000	3	3
	<u>3</u>	<u>3</u>

9 DIVIDEND

No dividend was paid or proposed for the ordinary shareholders of the Company during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: S\$Nil).

10 (LOSS) EARNINGS PER SHARE

	Year ended 31 December	
	2020	2019
(Loss) Profit attributable to the owners of the Company (S\$)	(3,390,872)	5,328,096
Weighted average number of ordinary shares in issue	480,000,000	480,000,000
Basic (loss) earnings per share (S\$ cents)	<u>(0.71)</u>	<u>1.11</u>

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

The calculation of basic (loss) earnings per share is based on the (loss) 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\$
Cost:						
At 1 January 2019	1,500,000	62,194	472,920	1,313,501	743,728	4,092,343
Additions ^(a)	3,500,000	—	13,423	126,252	—	3,639,675
Disposals	—	(15,693)	(25,893)	—	—	(41,586)
	<u>5,000,000</u>	<u>46,501</u>	<u>460,450</u>	<u>1,439,753</u>	<u>743,728</u>	<u>7,690,432</u>
At 31 December 2019	5,000,000	46,501	460,450	1,439,753	743,728	7,690,432
Additions	—	32,000	26,034	131,853	—	189,887
	<u>5,000,000</u>	<u>78,501</u>	<u>486,484</u>	<u>1,571,606</u>	<u>743,728</u>	<u>7,880,319</u>
At 31 December 2020	5,000,000	78,501	486,484	1,571,606	743,728	7,880,319
Accumulated depreciation:						
At 1 January 2019	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)
	<u>1,578,967</u>	<u>44,779</u>	<u>428,453</u>	<u>1,132,615</u>	<u>704,542</u>	<u>3,889,356</u>
At 31 December 2019	1,578,967	44,779	428,453	1,132,615	704,542	3,889,356
Charge for the year	758,001	2,788	22,600	134,650	31,416	949,455
	<u>2,336,968</u>	<u>47,567</u>	<u>451,053</u>	<u>1,267,265</u>	<u>735,958</u>	<u>4,838,811</u>
At 31 December 2020	2,336,968	47,567	451,053	1,267,265	735,958	4,838,811
Carrying amounts:						
At 31 December 2019	<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>
At 31 December 2020	<u>2,663,032</u>	<u>30,934</u>	<u>35,431</u>	<u>304,341</u>	<u>7,770</u>	<u>3,041,508</u>

^(a) 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

12 RIGHT-OF-USE ASSETS

	Leasehold land S\$	Office premises S\$	Plant and machinery S\$	Motor vehicle S\$	Total S\$
Cost:					
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>
At 31 December 2019	1,218,980	748,002	322,030	608,657	2,897,669
Additions	—	625,068	116,400	37,967	779,435
Derecognition of right-of-use assets	<u>—</u>	<u>(324,541)</u>	<u>—</u>	<u>—</u>	<u>(324,541)</u>
At 31 December 2020	<u>1,218,980</u>	<u>1,048,529</u>	<u>438,430</u>	<u>646,624</u>	<u>3,352,563</u>
Accumulated depreciation:					
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>
At 31 December 2019	72,775	337,350	298,862	232,467	941,454
Charge for the year	218,325	333,347	44,508	63,877	660,057
Derecognition of right-of-use assets	<u>—</u>	<u>(324,541)</u>	<u>—</u>	<u>—</u>	<u>(324,541)</u>
At 31 December 2020	<u>291,100</u>	<u>346,156</u>	<u>343,370</u>	<u>296,344</u>	<u>1,276,970</u>
Carrying amount:					
At 31 December 2019	<u>1,146,205</u>	<u>410,652</u>	<u>23,168</u>	<u>376,190</u>	<u>1,956,215</u>
At 31 December 2020	<u>927,880</u>	<u>702,373</u>	<u>95,060</u>	<u>350,280</u>	<u>2,075,593</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 2020 S\$	2019 S\$
Depreciation on right-of-use assets	660,057	533,030
Interest expense on lease liabilities	93,590	63,465

The total cash outflow for principal amount and interest of leases liabilities amount to S\$610,065 (2019: S\$485,906) and S\$93,590 (2019: S\$63,465) respectively.

13 INVESTMENT PROPERTIES

	Freehold property S\$	Leasehold properties S\$	Total S\$
Cost:			
At 1 January 2019, 31 December 2019 and 2020	1,581,575	1,427,551	3,009,126
Accumulated depreciation:			
At 1 January 2019	92,259	231,926	324,185
Charge for the year	26,360	26,906	53,266
At 31 December 2019	118,619	258,832	377,451
Charge for the year	26,360	26,906	53,266
At 31 December 2020	144,979	285,738	430,717
Net carrying value:			
At 31 December 2019	<u>1,462,956</u>	<u>1,168,719</u>	<u>2,631,675</u>
At 31 December 2020	<u>1,436,596</u>	<u>1,141,813</u>	<u>2,578,409</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 2020, included in the balances are freehold property with carrying value amounting to S\$1,436,596 (2019: S\$1,462,956). 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 2020 and 2019.

At 31 December 2020, the fair values of the investment properties amounted to S\$3,160,000 (2019: S\$3,090,521) 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 is 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\$111,521 (2019: S\$125,316). Direct operating expenses arising from the rental-generating investment properties amounted to S\$53,266 (2019: S\$53,266).

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

	Fair value Level 3 S\$
— As at 31 December 2020	
421 Tagore Ind. Avenue #02-14, Singapore	1,500,000
No. 18 Sin Ming Lane #07-40 Midview City, Singapore	580,000
No. 18 Sin Ming Lane #07-41 Midview City, Singapore	650,000
No. 21 Woodlands Park E1 #03-05, Singapore	<u>430,000</u>
Total	<u><u>3,160,000</u></u>
— 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	<u>445,890</u>
Total	<u><u>3,090,521</u></u>

14 TRADE RECEIVABLES

	As at 31 December	
	2020	2019
	S\$	S\$
Trade receivables	982,579	6,117,832
Less: Loss allowance	(88,945)	—
Unbilled revenue (<i>Note a</i>)	<u>4,261,854</u>	<u>14,825,178</u>
	<u><u>5,155,488</u></u>	<u><u>20,943,010</u></u>

Note:

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

As at 1 January 2019, trade receivables from contracts with customers amounted to S\$6,451,736.

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 31 December	
	2020	2019
	S\$	S\$
Within 30 days	313,900	5,449,680
31 days to 60 days	97,237	538,672
61 days to 90 days	75	—
Over 90 days	482,422	129,480
	<u>893,634</u>	<u>6,117,832</u>

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:

	As at 31 December	
	2020	2019
	S\$	S\$
31 days to 60 days	97,237	538,672
61 days to 90 days	75	—
Over 90 days	482,422	129,480
	<u>579,734</u>	<u>668,152</u>

Management of the Group is not aware of any significant change in credit quality of the trade receivables and assessed that the expected credit losses are insignificant.

The table below shows the movement in lifetime ECL (credit-impaired) that has been recognised for trade receivables in accordance to IFRS 9:

	Collectively assessed S\$	Individually assessed S\$
Balance as at 1 January 2019 and 31 December 2019	—	—
Net remeasurement of loss allowance	—	88,945
	<hr/>	<hr/>
Balance as at 31 December 2020	—	88,945
	<hr/> <hr/>	<hr/> <hr/>

15 CONTRACT ASSETS (LIABILITIES)

	As at 31 December	
	2020 S\$	2019 S\$
Analysed for reporting purposes as:		
Contract assets	16,655,647	13,336,349
Contract liabilities	(17,277)	—
	<hr/>	<hr/>
	16,638,370	13,336,349
	<hr/> <hr/>	<hr/> <hr/>

As at 1 January 2019, contract assets amounted to S\$10,075,674 and there is no contract liabilities.

As at 31 December 2020, included in contract assets are retention money held by customers for construction work amounted to S\$7,047,694 (2019: S\$8,816,387), 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.

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise when a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method.

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

Changes of contract assets were mainly due to: (1) the amount of retention receivables in accordance with the number of ongoing and completed contracts under the defect liability period; and (2) size and number of contract works that the relevant services were completed but yet certified by representatives appointed by the customers at the end of each reporting period.

None of the revenue recognised during the year relates to performance obligations that were satisfied in prior periods.

The directors of the Company considered that the ECL for contract assets is insignificant as at 31 December 2020 and 2019.

16 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2020	2019
	S\$	S\$
Deposits	310,957	156,752
Prepayments	98,554	201,676
Government grant receivables	183,743	—
Sundry debtors	19,515	—
	<u>612,769</u>	<u>358,428</u>

For the purpose of impairment assessment, other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to the 12-month expected credit losses (“ECL”).

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

17A BANK BALANCES AND CASH

	As at 31 December	
	2020	2019
	S\$	S\$
Cash on hand	425	1,100
Cash at bank	7,554,082	1,869,236
	<u>7,554,507</u>	<u>1,870,336</u>

The directors of the Company considered that the ECL on bank balances is insignificant as at 31 December 2020 and 2019.

17B PLEDGED BANK DEPOSITS

	As at 31 December	
	2020	2019
	S\$	S\$
Fixed deposits	<u>2,974,481</u>	<u>2,941,810</u>

The fixed bank deposits are pledged to bank borrowings (Note 20), bear interests at effective interest rates ranging from 0.25% to 0.97% (2019: 1.5% to 2.06%) per annum and for a tenure of a year.

The directors of the Company considered that the ECL on fixed bank deposit is insignificant as at 31 December 2020 and 2019.

18 TRADE AND OTHER PAYABLES

	As at 31 December	
	2020	2019
	S\$	S\$
Trade payables	3,966,229	5,981,730
Trade accruals	<u>—</u>	<u>2,226,314</u>
	<u>3,966,229</u>	<u>8,208,044</u>
GST payables	55,829	88,065
Other payables	322,894	900,141
Deferred grants	163,438	—
Deposits received	21,057	22,886
Provision for unutilised leave	72,101	26,173
Salaries and CPF payables	<u>430,345</u>	<u>540,705</u>
	<u>5,031,893</u>	<u>9,786,014</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 31 December	
	2020	2019
	S\$	S\$
Within 30 days	537,195	3,132,064
31 to 60 days	1,009,372	1,342,525
61 days to 90 days	345,956	136,735
Over 90 days	<u>2,073,706</u>	<u>1,370,406</u>
	<u>3,966,229</u>	<u>5,981,730</u>

19 LEASE LIABILITIES

	As at 31 December	
	2020	2019
	S\$	S\$
Analysed as:		
Non-current	1,194,659	1,258,616
Current	<u>626,189</u>	<u>547,116</u>
	<u>1,820,848</u>	<u>1,805,732</u>
	As at 31 December	
	2020	2019
	S\$	S\$
Lease liabilities payable:		
Within one year	626,189	547,116
In more than one year but no more than two years	534,550	391,253
In more than two years but no more than five years	660,109	804,917
In more than five years	<u>—</u>	<u>62,446</u>
	1,820,848	1,805,732
Less: Amount due within one year shown under current liabilities	<u>(626,189)</u>	<u>(547,116)</u>
Amount shown under non-current liabilities	<u>1,194,659</u>	<u>1,258,616</u>

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.

20 BORROWINGS

	As at 31 December	
	2020	2019
	S\$	S\$
Secured and guaranteed:		
Trade financing (<i>Notes a and d</i>)	—	1,888,897
Revolving credit facility (<i>Notes b and d</i>)	—	500,000
Bank loans (<i>Notes c and d</i>)	<u>5,940,673</u>	<u>1,212,849</u>
	<u><u>5,940,673</u></u>	<u><u>3,601,746</u></u>
<i>Analysed as:</i>		
Carrying amount repayable within one year	1,049,677	2,487,524
Carrying amount repayable more than one year, but not exceeding two years	1,079,145	100,226
Carrying amount repayable more than two years, but not more than five years	3,067,433	205,334
Carrying amount repayable more than five years	<u>744,418</u>	<u>808,662</u>
	5,940,673	3,601,746
Less: Amount due within one year shown under current liabilities	<u>(1,049,677)</u>	<u>(2,487,524)</u>
Amount shown under non-current liabilities	<u><u>4,890,996</u></u>	<u><u>1,114,222</u></u>

- a. As at 31 December 2019, trade financing bore a floating interest rate at 1.65% 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 2020, the bank loans are secured by first legal charge and the mortgaged over the Group's investment properties (Note 13), and the bank loans bear floating interest rates with weighted average effective interest rate at 3.12% (2019: 3.59%) per annum. The amounts are repayable at the dates ranging from 2021 to 2037 and from 2020 to 2037 as at 31 December 2020 and 2019 respectively.
- d. As at 31 December 2020 and 2019, the Group's borrowings are secured by corporate guarantee issued by the Company and personal guarantee issued by the Director.

21 DEFERRED TAX (ASSETS) LIABILITIES

	As at 31 December	
	2020	2019
	S\$	S\$
As at 1 January	52,069	71,631
Recognised in profit or loss during the year:		
— Tax losses	(374,069)	—
— Accelerated tax depreciation	(14,432)	(19,562)
— Underprovision of deferred tax in prior years	9,478	—
As at 31 December	<u>(326,954)</u>	<u>52,069</u>

Subject to the agreement by the tax authorities, at the reporting date, the Group has unused tax losses of S\$2,200,000 (2019: S\$Nil) available for offset against future profits. A deferred tax assets has been recognised in respect of such losses. The unused tax losses may be carried forward indefinitely subject to the conditions imposed by law including the retention of majority shareholders as defined.

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\$
Authorised share capital			
At 1 January 2019, 31 December 2019 and 31 December 2020	<u>5,000,000,000</u>	<u>0.01</u>	<u>50,000,000</u>
		Number of shares	Share capital S\$
Issued and fully paid share capital			
At 1 January 2019, 31 December 2019 and 31 December 2020		<u>480,000,000</u>	<u>827,586</u>

23 SHARE OPTION SCHEME

Pursuant to a share option scheme approved by a written resolution passed by the shareholders of the Company on 2 November 2017 (the “Share Option Scheme”), the Company may grant options to eligible directors of the Group, eligible employees of the Group and other selected participants, for the recognition of their contributions, to subscribe for shares (“Shares”) in the Company with a payment of HK\$1 upon each grant of options offered.

The exercise price of the share option will be not less than the highest of:

- (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date (the "Offer Date") of grant of the particular option, which must be a business day;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the Offer Date of the option; and
- (iii) the nominal value of a Share on the Offer Date.

The share options are exercisable at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Share Option Scheme, or any conditions stipulated by the Board of Directors.

The maximum number of shares in respect of which options may be granted shall not exceed 10% of the number of shares of Company in issue from time to time. Unless further shareholders' approval has been obtained pursuant to the conditions set out in the Share Option Scheme, no person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 months period up to the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of issued shares of Company.

Up to the date of issuance of the consolidated financial statements, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

During the year ended 31 December 2020 and 2019, no share options has been granted nor exercised and there is no outstanding share options of the Company as at 31 December 2020 and 2019.

24 OPERATING LEASE COMMITMENTS

The Group as lessor

Operating leases, in which the Group is the lessor, relate to investment property owned by the Group with lease terms of 2 years, with one year extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The unguaranteed residual values do not represent a significant risk for the Group, as they relate to property which is located in a location with a constant increase in value over the last three years. The Group did not identify any indications that this situation will change.

	As at 31 December	
	2020	2019
	S\$	S\$
Maturity analysis of operating lease payments:		
Year 1	105,527	74,543
Year 2	35,056	1,490
Total	<u>140,583</u>	<u>76,033</u>

The following table presents the amounts reported in profit or loss:

	As at 31 December	
	2020	2019
	S\$	S\$
Lease income on operating lease	111,521	125,316

25 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 2020, 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\$96,242 (2019: S\$112,029) for the year ended 31 December 2020, represent contributions paid to the retirement benefits plan by the Group.

As at 31 December 2020, the CPF contribution payables amounted to S\$20,033 (2019: S\$17,705) which were paid subsequent to the end of the respective years.

26 RELATED PARTY TRANSACTIONS

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

	Year ended 31 December	
	2020	2019
	S\$	S\$
Short term benefits	618,737	647,822
Post-employment benefits	36,720	36,720
	655,457	684,542

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 2020, the Group recorded revenue of approximately S\$10,154,000 (2019: approximately S\$50,852,000).

The gross profit for the year ended 31 December 2020 was approximately S\$178,000 (2019: approximately S\$11,813,000). The low gross profit for the financial year ended 31 December 2020 is contributed by the extreme low revenue due to the delay of the projects caused by the outbreak of a highly contagious form of novel coronavirus disease (“COVID-19”) since early 2020, and higher subcontractor costs as foreign workers were quarantined from circuit breaker measures (the “Circuit Breaker Measures”) implemented by the Government of Singapore from 7 April 2020 to 1 June 2020.

Selling and administrative expenses for the year ended 31 December 2020 was approximately S\$4,564,000 (2019: approximately S\$4,168,000) representing an increase of S\$396,000 mainly contributed by the depreciation of the leased property (the “Leased Property”) located at 12 Sungei Kadut Loop Singapore 72945 which was acquired by the Company on 5 September 2019.

Other expenses for the years ended 31 December 2020 and 2019 mainly related to expenses in relation to the Proposed Transfer of approximately S\$151,000 and S\$815,000 respectively. On 13 July 2020, the Company has decided not to continue with the application for the Proposed Transfer.

The Group recorded a loss before tax for the year ended 31 December 2020 of approximately S\$3,619,000 exclusive of expenses in relation to the Proposed Transfer of approximately S\$151,000 and 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.

The loss after tax of the Group were approximately S\$3,240,000 (exclusive of expenses in relation to the Proposed Transfer of approximately S\$151,000) for the year ended 31 December 2020 and profit after tax were approximately S\$6,143,000 (exclusive of expenses in relation to the Proposed Transfer of approximately S\$815,000) for the year ended 31 December 2019.

The loss for the financial year ended 31 December 2020 is mainly contributed by the outbreak of COVID-19 since early 2020, the Circuit Breaker Measures, and quarantine requirements for the foreign workers which caused the delay and suspension of the projects.

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 one month to one 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 2020, the Group's borrowings comprised lease liabilities of approximately S\$145,000 (exclusive of lease liabilities in relation to the addition of IFRS 16 of approximately S\$1,676,000) (2019: lease liabilities of approximately S\$231,000 exclusive of lease liabilities in relation to the addition of IFRS 16 of approximately S\$1,575,000) and bank borrowings of approximately S\$5,941,000 (2019: approximately S\$3,602,000).

The Group had cash and cash equivalents of approximately S\$7,555,000 (2019: approximately S\$1,870,000) 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 22.2% (2019: approximately 12.4%).

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 (the "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.

Significant investments held, material acquisitions and disposals of subsidiaries, and future plans for material investments or capital assets

During the year, there were no significant investments held by the Group, and there were no material acquisitions and disposals of subsidiaries, and the Group did not have other plans for material investments and capital assets.

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\$445,000 (2019: approximately S\$378,000).

Contingent liabilities

As at 31 December 2019 and 2020, the Group did not have any contingent liabilities.

Capital commitments

As at 31 December 2019 and 2020, the Group did not have any capital commitments.

Employee information

As at 31 December 2020, the Group had an aggregate of 124 (2019: 141) 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\$3,309,000 and S\$4,658,000 for the years ended 31 December 2020 and 2019 respectively.

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 Company’s issued shares on GEM of the Stock Exchange, to 31 December 2020 is set out below:

Business Strategies

Actual business progress up to 31 December 2020

- | | |
|--|--|
| — Purchase of new fabrication facility | — The Group has fully utilised approximately HK\$20.4 million for 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 as down payment for the purchase of machinery 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 |

Use of proceeds from the Share Offer

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⁽¹⁾ <i>HK\$ million</i>	Use of proceeds from Listing up to 31 December 2020 <i>HK\$ million</i>	Outstanding proceeds as at 31 December 2020 <i>HK\$ million</i>
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 31 December 2020, 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 of the entire issued shares in Kay Huat Trading Company Private Limited in relation to the Leased Property.
- (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 2022.

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\$10,154,000 and S\$50,852,000 for the years ended 31 December 2020 and 2019 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 loss before tax for the year ended 31 December 2020 was approximately S\$3,619,000 exclusive of expenses in relation to the Proposed Transfer of approximately S\$151,000 and 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.

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 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 Circuit Breaker Measures, the Group has stopped its business operations from 7 April 2020 to 1 June 2020, which significantly affected the Group's business and financial results. The operation of the Company was resumed in August 2020 after seeking approval from the Building and Construction Authority (BCA).

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 2021

For 2021, we expect a bounce back of up to 4% to 6% year-on-year growth, aided by the very low base in 2020, before normalising back to trend growth around of 3% in 2022. This seemingly V-shaped GDP growth recovery will be more broad-based, with the construction and services sectors likely to revert to positive on-year growth.

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 31 December 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 required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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
Mr. Ong Cheng Yew	Interest of the controlled company ⁽¹⁾	356,400,000	74.25%
Ms. Koh Siew Khing ⁽²⁾	Interest of spouse	356,400,000	74.25%

Notes:

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

Save as disclosed above, as at 31 December 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 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 2020, the register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 December 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	356,400,000	74.25%

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 2020.

COMPETING INTERESTS

The Directors are not aware of any business and interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the year ended 31 December 2020.

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

During the year ended 31 December 2020, 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

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having been made specific enquiry, except as disclosed below, all the Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding Director's securities transactions during the year ended 31 December 2020.

On 5 August 2020, Broadbville Limited, a company controlled by Mr. Ong Cheng Yew, disposed of 3,600,000 shares of the Company (the "Relevant Shares") during the black-out period (i.e. from 14 July 2020 to 13 August 2020) (the "Black-out Period") under GEM Listing Rule 5.56(a)(ii) in respect of the Company's interim results for the six months ended 30 June 2020 (the "Disposal"). The Disposal constitutes a breach of Rule 5.56(a)(ii) of GEM Listing Rules by Mr. Ong, in that he had dealt in the Relevant Shares during the Black-out Period. Mr. Ong had also failed to give prior written notice to the designated director (the "Designated Director") of the Company and failed to comply with the pre-dealing clearance procedure under Rule 5.61 of the GEM Listing Rules. As such, no written acknowledgement from the Designated Director was signed and given to Mr. Ong in this regard. Remedial steps taken by Mr. Ong include undergoing a training on GEM Listing Rules compliance, which includes provisions in Chapter 5 of the GEM Listing Rules, given by a professional law firm.

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 and Corporate Governance Report (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 year ended 31 December 2020.

Code Provision A.2.1 of the CG Code states that the roles of the 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 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 government structure in place to ensure effective oversight of management.

INTEREST OF THE COMPLIANCE ADVISER

As at the date of this announcement, neither Vinco Capital Limited, the compliance advisor of the Company, nor any of its directors, employees or close associates had any interest in the securities of the Company or any other companies of the Company (including options or rights to subscribe for such securities) 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 31 December 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 Directors do not recommend the payment of dividend for year ended 31 December 2020 (2019: Nil).

EVENTS AFTER THE REPORTING PERIOD

No significant events have taken place after the financial year ended 31 December 2020 to the date of this announcement.

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 date of this announcement.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committed”) on 21 June 2017 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and Code Provision C.3 of the CG Code. 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 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, 31 March 2021

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Ong Cheng Yew (Chairman) and Ms. Koh Siew Khing, one non-executive Director, namely, Ms. Chen Xiaoyu 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.