GT STEEL Construction Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8402

ANNUAL REPORT 2018

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This report, for which the directors (the "Directors") of GT Steel Construction Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 report is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement herein or this report misleading.

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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ong Cheng Yew *(Chairman)*
Ms. Koh Siew Khing

Independent non-executive Directors

Mr. Tam Wai Tak Victor
Ms. Chooi Pey Nee
Mr. Tan Yeok Lim

AUDIT COMMITTEE MEMBERS

Mr. Tam Wai Tak Victor
(Chairman of the audit committee)
Ms. Chooi Pey Nee
Mr. Tan Yeok Lim

NOMINATION COMMITTEE MEMBERS

Mr. Tan Yeok Lim
(Chairman of the nomination committee)
Mr. Tam Wai Tak Victor
Ms. Chooi Pey Nee
Ms. Koh Siew Khing

REMUNERATION COMMITTEE MEMBERS

Ms. Chooi Pey Nee
(Chairwoman of the remuneration committee)
Mr. Tam Wai Tak Victor
Mr. Tan Yeok Lim

COMPLIANCE OFFICER

Mr. Ong Cheng Yew

COMPANY SECRETARY

Mr. Chan Hank Daniel

AUTHORISED REPRESENTATIVES

Mr. Ong Cheng Yew
Mr. Chan Hank Daniel

COMPLIANCE ADVISER

Vinco Capital Limited
Units 4909–4910, 49/F, The Center
99 Queen's Road Central
Hong Kong

AUDITOR

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way, OUE Downtown 2
#33-00
Singapore 068809

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

64 Woodlands Industrial Park E9
Woodlands Industrial Park E
Singapore 757833

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE (CAP 622)

19/F, Prosperity Tower
39 Queen's Road Central
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKER

Malayan Banking Berhad
Bukit Timah Business Centre
114–116 Upper Bukit Timah Road
Singapore 588172

CIMB Bank Berhad
50 Raffles Place
#09-01
Singapore Land Tower
Singapore 048623

COMPANY'S WEBSITE

www.gt-steel.com.sg

STOCK CODE

8402

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of GT Steel Construction Group Limited (the "Company"), I am pleased to present the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018.

PERFORMANCE

For the year ended 31 December 2018, the Group recorded a 79.7% increase in revenue from approximately S$27,890,000 in 2017 to S$50,117,000 in 2018. The profit after tax of the Group were approximately S$3,468,000 (exclusive of listing expenses of approximately S$3,879,000) and S$6,542,500 respectively.

Increase in revenue was primarily attributable to new projects awarded on 19 March 2018 and 29 June 2018, and recognized during the financial year ended 31 December 2018.

LISTING ON GEM OF THE STOCK EXCHANGE

Group has been continuously developed and has been achieving the Group's revenue forecast in 2018 after we were successfully listed on GEM on 17 November 2017 (the "Listing Date"), representing a major milestone for the Group.

OUTLOOK

The Group recorded a significant increase in revenue in the financial year ended 31 December 2018 as compared with the corresponding period in 2017. The Group's strategies are to expand and strengthen its market position in the structural steelwork industry in Singapore through the expansion of its production capacity and workforce.

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

Contractors and developers in Singapore will need to work with suppliers that can help them score green points to enable the final structure to be commercially viable. Hence steel is increasingly the material of choice for the construction of the buildings and temporary support for deep excavations. As public sector projects are expected to form up to 70% of Singapore's contracts awarded up to 2021, it is likely that the proportion of steel used will continue to grow in tandem, at least keeping track with the expected compound annual growth rate of 4.13% of the overall construction build from 2018 to 2021.

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

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

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

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the management and staff of the Group for their hard work and dedication as well as to our shareholders and business partners for their continued support.

Ong Cheng Yew
Chairman and Executive Director
Singapore,
13 March 2019

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue and Results

For the year ended 31 December 2018, the Group recorded revenue of approximately S$50,117,000 (2017: approximately S$27,890,000) and profit after tax approximately S$6,542,500 (2017: S$3,468,000 exclusive of listing expenses of approximately S$3,879,000).

Revenue had increased by 79.7% due to new projects awarded on 19 March 2018 and 29 June 2018, and recognised during the financial year ended 31 December 2018.

The gross profit for the year ended 31 December 2018 was approximately S$12,219,000 (2017: approximately S$7,053,000). The gross profit margin was maintained at a range of 24% to 25% for the financial year ended 31 December 2018 and 2017.

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

Selling and administrative expenses for the year ended 31 December 2018 was approximately S$4,235,000 (2017: S$3,008,000) representing an increase of S$1,227,000 mainly because of increase in staff salaries due to workforce expansion, consultation & professional fee, site/factory setup and upkeep cost, and machineries maintenance fee.

Other expenses for the year ended 31 December 2017 mainly related to listing expenses of approximately S$3,879,000.

The Group recorded a profit before tax for the year ended 31 December 2018 of approximately S$8,025,000 (2017: S$4,224,000 exclusive of listing expenses of approximately S$3,879,000), representing an increase of S$3,801,000 or 90.0% as compared with prior year.

Profit after tax for the year ended 31 December 2018 was approximately S$6,542,500, representing an increase of S$3,074,500 as compared with prior year profit of approximately S$3,468,000 (exclusive of listing expenses of approximately S$3,879,000).

Liquidity and Financial Resources

The Group's exposure to liquidity risk arises in the general funding of the Group's operations, in particular, that the duration of the contracts spans from 1 month to 1 year and during which the amount of progress claim varies from month to month depending on the provision of construction works and installation and auxiliary services for the month. The supply and installation schedule is as directed by the customer, in accordance with the main contractor's schedule. As such, the Group actively manages our customers' credit limits, aging, and repayment of retention monies and monitors the operating cash flows to ensure adequate working capital funds and repayment schedule is met.

For the year under review, the Group had a net cash from operating activities of approximately S$5,137,000.

As at 31 December 2018, the Group's borrowings comprised the obligations under finance leases of approximately S$325,000 (2017: S$458,000) and bank borrowings of approximately S$5,600,000 (2017: S$4,339,000).

The Group had cash and cash equivalents of approximately S$16,963,000 (2017: S$11,230,000) 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 0.2 times (31 December 2017: approximately 0.3 times).

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 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

There were no significant investments held, nor were there any plan authorised by the Board for any material investments or additions of capital assets as at the date of this report.

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$465,000 (2017: S$585,000).

Contingent Liabilities

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

Capital Commitments

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

Employee Information

As at 31 December 2018, the Group had an aggregate of 146 (2017: 110) employees.

The employees of the Group are remunerated according to their job scope and responsibilities. The local employees are also entitled to discretionary bonus depending on their respective performance. The foreign workers are employed on one or two years contractual basis and are remunerated according to their work skills.

Total staff costs, including Directors' emoluments, amounted to approximately S$4,273,000 and S$3,756,000 for the year ended 31 December 2018 and 2017 respectively.

Comparison of Business Objectives with Actual Business Progress

The business objectives as set out in the prospectus of the Company dated 30 October 2017 (the "Prospectus") for the period from 17 November 2017 (the "Listing Date") to 30 June 2019 are set out below:

Business Objectives	By financial period ending
Purchase of additional steel fabrication facility (including renovation) in Singapore	30 June 2018
Expansion of production capacity via purchase of machineries	30 June 2019
Expand workforce to support business expansion	31 December 2018

Use of Proceeds from the Share Offer

The Company was successfully listed on GEM on the Listing Date by way of share offer of 120,000,000 new shares at the price of HK$0.54 per share (the "Share Offer") and the net proceeds raised from the Share Offer were approximately HK$35.9 million (approximately S$6.19 million) after deducting the listing-related expenses.

In line with that disclosed in the Prospectus, the Company intends to apply the net proceeds raised from the Share Offer as to:

(i) approximately 56.7% of the net proceeds, or approximately HK$20.4 million for the purchase of a new fabrication facility in Singapore to increase the production capacity;

(ii) approximately 41.0% of the net proceeds, or approximately HK$14.7 million for the purchase of new machineries for new fabrication facility in Singapore to increase the production capacity; and

(iii) approximately 2.3% of the net proceeds, or approximately HK$0.8 million for the expansion of workforce to support business expansion.

As at 31 December 2018, the Group has fully utilized HK$0.8 million on expansion of workforce to support business expansion.

The Group has yet to utilize the net proceeds of approximately HK$35.1 million on new fabrication facility and new machineries. The status is as follows:

(i) The Group has sourced the new fabrication facility in Sungei Kadut area from few sellers. However, the Group is still under negotiation with the sellers for the consideration and purchase terms of those properties.

(ii) The Group expects to purchase a new fabrication facility in 2019.

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

(iv) The Group will only be able to proceed with purchase of new machineries when the new fabrication facility is fixed.

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

BUSINESS REVIEW

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

Revenue comprised of revenue from the provision of construction services, installation and auxiliary services provided by the Group to external customers, which amounted to approximately, S$50,117,000 and S$27,890,000 for the year ended 31 December 2018 and 2017, respectively. The increase in the revenue for the current financial year was mainly due to new projects awarded on 19 March 2018 and 29 June 2018, and recognised during the financial year ended 31 December 2018.

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

During the current financial year, the profit before tax for the year ended 31 December 2018 was approximately S$8,025,000 (2017: S$4,224,000 exclusive of listing expenses of approximately S$3,879,000).

Our Group's strategies are to expand and strengthen our market position in the structural steel work industry in Singapore through the expansion of our 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. Structure 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. Our industry will be in a good position not just for Singapore projects but also for Malaysia projects across the causeway in the Iskandar area.

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 this responsibility to various operational departments. The Group's financial position, operations, business and prospects may be affected by the following identified risks and uncertainties. The Group adopts risk management policies, measures and monitoring systems to pre-empt and contain exposures associated with the identified risks.

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

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Ong Cheng Yew, aged 50, founder of our Group, was appointed as our Director on 1 February 2017 and re-designated as our chairman and executive Director on 3 March 2017. Mr. Ong is also a founder and a director of G-Tech Metal Pte Ltd ("G-Tech Metal") since June 2003. Mr. Ong is responsible for our Group's overall management, strategic planning and business development. He has over 20 years of experience in the structural steelwork industry in Singapore.

Prior to establishing G-Tech Metal in 2003, Mr. Ong established G-Technical Engineering and Trading as a partnership in October 1993, which was initially engaged in metal works and smaller structural steelworks. G-Technical Engineering and Trading had ceased registration on 14 December 2016. Mr. Ong also worked as an assistant project executive, involved in project management, in Everbesting Metal Works Pte. Ltd. in early 1990s. As Everbesting Metal Works Pte. Ltd. was in the business of undertaking metal works and minor construction works, Mr. Ong gained experience in the structural steelwork industry. He also worked as a technical assistant in Hitachi Chemical (S) Pte Ltd, a chemical manufacturer, in late 1980s.

Mr. Ong graduated with GCE "O" level in December 1986, and also obtained certificate in July 2009 from BCA for successful completion of essential knowledge in construction regulations and management for licensed builders. Mr. Ong also obtained certificate of attendance for WSH bizSAFE level 1 workshop for company CEO and top management in March 2008 from SC2 Pte. Ltd., and certificate of successful completion of structural steel supervisor course in October 2006 from Singapore Structural Steel Society.

Ms. Koh Siew Khing, aged 48, joined our Group as an accountant since July 2003 and was appointed as our Director on 1 February 2017 and re-designated as our Executive Director on 3 March 2017. She is a member of the nomination committee. Ms. Koh is mainly responsible for financial and accounting matters of our Group. Ms. Koh graduated as a Certified Accounting Technician of the Association of Chartered Certified Accountants in June 2008. Ms. Koh has approximately 10 years of experience in the structural steelworks industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tam Wai Tak Victor, aged 41, was appointed as our Independent Non-Executive Director on 21 June 2017. He is currently the chairman of the audit committee and a member of the remuneration and nomination committees. Mr. Tam graduated with a degree of Bachelor of Arts in Accounting & Finance (First Class Honours) from the University of Glamorgan (now known as the University of South Wales) in June 2001. He was admitted as a fellow member of the Association of Chartered Certified Accountants in February 2010 and a member of the Hong Kong Institute of Certified Public Accountants in July 2005.

Mr. Tam has more than 15 years of experience in the field of auditing, accounting and financial management. Other than his directorship in the Company, Mr. Tam is also currently an independent non-executive director of Shun Wo Group Holdings Limited (stock code: 1591) and Twintek Investment Holdings Limited (stock code: 6182), the shares of which are listed on the Main Board of the Stock Exchange and Cool Link (Holdings) Limited (stock code: 8491), the shares of which are listed on GEM of the Stock Exchange.

Ms. Chooi Pey Nee, aged 51, was appointed as our Independent Non-Executive Director on 21 June 2017. She is currently the chairwoman of the remuneration committee and a member of the audit and nomination committees. Ms. Chooi has more than 23 years of professional experience in audit, dealing in securities, operations of fund management companies and compliance. Ms. Chooi graduated from University of Malaya, Malaysia with a degree of Bachelor of Accounting in July 1993.

Mr. Tan Yeok Lim, aged 47, was appointed as our Independent Non-Executive Director on 21 June 2017. He is currently the chairman of the nomination committee and a member of the audit and remuneration committee. Mr. Tan has more than 20 years of working experience in police intelligence, shipyard/vessel, marine logistics and petroleum products, and is currently the director of business development at NIPO International Pte. Ltd.

Mr. Tan graduated from Nanyang Technological University, Singapore with a degree of Bachelor of Engineering (Mechanical) (First Class Honours) in June 1996. Mr. Tan was previously a director of United Chartering Pte. Ltd., a private company incorporated in Singapore on 26 July 2010, prior to its dissolution.

SENIOR MANAGEMENT

Mr. Chelliah Thennavan, aged 49, joined our Group as a Senior Project Manager on 15 January 2010. Mr. Thennavan is currently our Project Director and is responsible for the overall management of the structural steelworks projects. Mr. Thennavan graduated from University of Madras, India with a Bachelor of Engineering (Mechanical Engineering) (First Class Honours) in December 1991.

Mr. Thennavan has over 20 years of experience in the structural steelwork industry. Mr. Thennavan has completed a course on construction project planning and scheduling using Microsoft project by Singapore Contractors Association Limited (SCAL) and Singapore Polytechnic in October 2007. He has also completed a construction safety course for project managers by SCAL and SC2 Pte Ltd in July 2007.

Mr. Wee Hian Yeong, aged 64, joined our Group as a Senior Operation Manager on 1 January 2013. Mr. Wee is currently our Operation Director and is responsible for the effective execution of our structural steelworks projects. Mr. Wee has over 20 years of experience in the structural steelwork Industry.

In 1993, Mr. Wee started his own business, L.T.H. Engineering and Trading Pte. Ltd. with the principal activity of building construction and engineering services prior to joining our Group. Mr. Wee obtained a full technological certificate in October 1982 from the City & Guilds of London Institute in Singapore.

COMPANY SECRETARY

Mr. Chan Hank Daniel, aged 44, was appointed as the company secretary of our Company on 3 March 2017. Mr. Chan is currently a partner at Michael Li & Co., the legal advisor to our Company as to Hong Kong laws. Mr. Chan has been the company secretary of Global Strategic Group Limited (stock code: 8007) and Tech Pro Technology Development Limited (stock code: 3823) since October 2016 and January 2019 respectively. He obtained his Bachelor of Laws and Bachelor of Commerce from Macquarie University, Sydney, Australia in April 2000. He is a practicing solicitor and was admitted as a solicitor in Hong Kong in December 2003.

In view of Mr. Chan's experience in legal and company secretarial functions and with Stock Exchange rules and regulations, our Directors believe that Mr. Chan has the appropriate legal and company secretarial expertise for the purposes of Rule 5.14 of the GEM Listing Rules.

COMPLIANCE OFFICER

Mr. Ong Cheng Yew is an Executive Director and the compliance officer of the Company. His biographical details and professional qualifications are set out on page 11 of this report.

Corporate Governance Report

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 financial year ended 31 December 2018. Details of the Group's corporate governance practices adopted by the Board are set out in the Corporate Governance Report on pages 14 to 23 of this report.

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.

CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

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, 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 2018.

BOARD OF DIRECTORS

The Company is governed by the Board which has the responsibility for leadership and monitoring of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. As at the date of this report, the Board comprises five directors of which two are executive Directors and three are independent non-executive Directors.

The Board sets strategies and directions for the Group's activities with a view to develop its business and enhance shareholders' value. The Board also assumes the responsibilities for corporate governance duties as set out in Code Provision D.3.1 of the CG Code, including among others, reviewing the Company's policies and practices on corporate governance, and reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to the executive Directors and management of the Group.

All Directors carry out their duties in good faith and in compliance with applicable laws and regulations, making decisions objectively and acting in the interests of the Company and its shareholders at all times.

The Group will continue to update the Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

The Board's present composition is as follows:

Executive Directors:

Mr. Ong Cheng Yew *(Chairman)*

Ms. Koh Siew Khing

Independent Non-Executive Directors:

Mr. Tam Wai Tak Victor

Ms. Chooi Pey Nee

Mr. Tan Yeok Lim

Directors	Number of attendance
Mr. Ong Cheng Yew	4/4
Ms. Koh Siew Khing	4/4
Mr. Tam Wai Tak Victor	4/4
Ms. Chooi Pey Nee	4/4
Mr. Tan Yeok Lim	4/4

BOARD DIVERSITY POLICY

The Company has a Board Diversity Policy whereby it recognizes and embraces the benefits of a diversity of Board members. It endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge.

During the year and as at the date of this annual report, the Board comprises five Directors. The following tables further illustrate the diversity of the Board members as of the date of this annual report:

Name of Director	Aged 40 to 49	Aged 50 or above
Mr. Ong Cheng Yew		√
Ms. Koh Siew Khing	√	
Mr. Tam Wai Tak Victor	√	
Ms. Chooi Pey Nee		√
Mr. Tan Yeok Lim	√	

Name of Director	Business Development	Professional Experience Accounting & Finance	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Ong Cheng Yew	√				
Ms. Koh Siew Khing		√			√
Mr. Tam Wai Tak Victor			√	√	√
Ms. Chooi Pey Nee			√	√	√
Mr. Tan Yeok Lim			√	√	√

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors keep abreast of responsibilities as directors of the Company and of the conduct, business activities and development of the Company.

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

Each of the executive Directors and independent non-executive Directors has entered into a service contract with the Company with an initial term of three years subject to provisions contained therein. The non-executive Director has signed a letter of appointment with the Company with an initial term of three years commencing from 21 June 2017. In compliance with the code provision in A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. By virtue of the articles of association of the Company, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In compliance with the code provision in A.4.2 of the CG Code, all Directors are subject to retirement by rotation at least once every three years. Furthermore, pursuant to the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible to re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

BOARD NOMINATION POLICY

The Nomination Committee shall endeavor to find individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of the Group and its shareholders. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives. Candidates also will be assessed in the context of the then-current composition of the Board, the operating requirements of the Group. In conducting this assessment, the Nomination Committee will, in connection with its assessment and recommendation of candidates for director, consider diversity (including, but not limited to, gender, race, ethnicity, age, experience and skills) and such other factors as it deems appropriate given the then current and anticipated future needs of the Board and the Company, and to maintain a balance of perspectives, qualifications, qualities and skills on the Board.

The Nomination Committee considers the following qualifications at a minimum to be required of any Board members in recommending to the Board potential new board members, or the continued service of existing members:

- the highest professional and personal ethics;
- broad experience in business;
- ability to provide insights and practical wisdom based on their experience and expertise;
- commitment to enhancing shareholder value;
- sufficient time to effectively carry out their duties; their service on other boards of public companies should be limited to a reasonable number;
- compliance with legal and regulatory requirements; and
- ability to develop a good working relationship with other Board members and contribute to the Board's working relationship with senior management of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are persons with relevant academic and professional qualifications. They advise the Company on strategic development, which enables the Board to maintain high standards of compliance with financial and other regulatory requirements. In compliance with Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the Board and with at least one of whom having appropriate professional qualifications, or accounting or related financial management expertise.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence. The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Board considers that all the independent non-executive Directors to be independent and meet the requirements set out in Rule 5.09 of the GEM Listing Rules as at the date of this report.

DIRECTORS' PARTICIPATION IN CONTINUOUS PROFESSIONAL TRAININGS

During the year, the Directors received from the Company from time to time the updates on laws, rules and regulations which might be relevant to their roles, duties and functions as director of a listed company. All Directors have been updated with the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefings and professional development to Directors will be arranged whenever necessary.

AUDIT COMMITTEE

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

During the year ended 31 December 2018, the Audit Committee held 4 meetings to consider and approve the following:

(i) to review the quarterly, half-year and annual financial statements before submission to the Board, with a focus on compliance with accounting standards, the GEM Listing Rules and other requirements in relation to financial reporting;

(ii) to discuss the effectiveness of the internal control systems throughout the Group, including financial, operational and compliance controls, and risk management; and

(iii) to review the accounting principles and practices adopted by the Group and other financial reporting matters.

The attendance of each audit committee member is set out as follows:

Audit committee members	Number of meetings attended/held
Mr. Tam Wai Tak Victor	4/4
Ms. Chooi Pey Nee	4/4
Mr. Tan Yeok Lim	4/4

REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 21 June 2017 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and paragraph B.1.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The remuneration committee consists of three independent non-executive Directors namely Mr. Tam Wai Tak Victor, Mr. Tan Yeok Lim and Ms. Chooi Pey Nee serves as the chairwoman of the remuneration committee.

The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to our Directors on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of our Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

For the year ended 31 December 2018, the Remuneration Committee held 1 meeting to consider and approve the remuneration of the Directors and senior management.

The attendance of each committee member is set out as follows:

Remuneration committee members	Number of meetings attended/held
Mr. Tam Wai Tak Victor	1/1
Ms. Chooi Pey Nee	1/1
Mr. Tan Yeok Lim	1/1

NOMINATION COMMITTEE

Our Group also established a nomination committee on 21 June 2017 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules.

The nomination committee consists of one executive Director, 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 serves as the chairman of the nomination committee.

The primary function of the nomination committee is to make recommendations to the Board to fill vacancies on the same.

During the year ended 31 December 2018, the Nomination Committee held 1 meeting to consider and approve the following:

(i) to review the structure, size and composition of the Board;

(ii) to assess the independence of independent non-executive Directors; and

(iii) to re-appoint all directors at the 2018 annual general meeting of the Company.

The attendance of each committee member is set out as follows:

Nomination committee members	Number of meetings attended/held
Mr. Tam Wai Tak Victor	1/1
Ms. Chooi Pey Nee	1/1
Mr. Tan Yeok Lim	1/1
Ms. Koh Siew Khing	1/1

FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the accounts of the Company. As at 31 December 2018, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

The responsibilities of the external auditors regarding their financial reporting are set out in the independent auditor's report contained in this annual report for the year ended 31 December 2018.

AUDITOR'S REMUNERATION

The remuneration paid/payable to the Company's external auditor, Deloitte & Touche LLP, for the year ended 31 December 2018, is set out as follows:

	Fees paid/payable (S$)
Annual audit services	150,000

The amount of fees charged by the auditor generally depends on the scope and volume of the auditor's work.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board conducts regular review and evaluation of the ongoing effectiveness and adequacy of the Group's internal control system covering all controls matters, including financial, operational, compliance and risk management controls. The Board is committed to implementing an effective and sound internal control system to safeguard the interest of Shareholders and the Group's assets.

The Board is responsible for the risk management and internal control systems of the Group and for reviewing their effectiveness. The Group's system of internal controls includes a defined management structure with limits of authority and is designed to help achieve business objectives, safeguard assets against unauthorised use of disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

An organisational structure with operating policies and procedures, lines of responsibility and delegated authority has been established. The head of each core department is accountable for the conduct and performance of such department within the agreed strategies, which are set by themselves and the Board together. The relevant executive Directors and senior management are delegated with respective levels of authorities with regard to key corporate strategy and policy and contractual commitments.

For the year ended 31 December 2018, the Group did not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness during the year. The Board will review and consider establishing an internal audit function as and when it thinks necessary.

The Group has engaged an internal control consultant, an independent third party, to undertake a review of the internal control system of the Group during the current financial year. Such review is conducted annually and covers key areas of operations and processes of the Group. The internal control consultant has reported findings and areas for improvement to the Audit Committee and management of the Company. The Board and the Audit Committee are of the view that there are no material internal control defects noted. All recommendations from the internal control consultant will be properly followed up by the Group to ensure that they are implemented within a reasonable period of time.

Accordingly, the Board is of the view that the systems of internal control and risk management are effective and there are no irregularities, improprieties, fraud or other deficiencies that suggest material deficiency in the effectiveness of the Group's internal control system.

COMPANY SECRETARY

Mr. Chan Hank Daniel, aged 44, was appointed as the company secretary of the Company on 3 March 2017. Mr. Chan is currently a partner at Michael Li & Co., the legal advisers to the Company as to Hong Kong laws. Mr. Chan has been the company secretary of Global Strategic Group Limited (stock code: 8007) and Tech Pro Technology Development Limited (stock code: 3823) since October 2016 and January 2019 respectively. He obtained his Bachelor of Laws and Bachelor of Commerce from Macquarie University, Sydney, Australia in April 2000. He is a practicing solicitor and was admitted as a solicitor in Hong Kong in December 2003.

SHAREHOLDERS' RIGHTS

The general meetings of the Group provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

RIGHT TO CONVENE EXTRAORDINARY GENERAL MEETING

Any one or more member(s) holding at the date of the deposit of the requisition not less than one tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's principal place of business at 19th Floor, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionist(s).

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified not in order, the Shareholders will be advised of this outcome accordingly, and an EGM will not be convened as requested. If within 21 days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s) may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a of the failure of the Board shall be reimbursed by the Group to the requisitionist(s).

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

(a) At least 14 clear days' notice in writing (and not less than 10 clear business days) if the proposal constitutes an ordinary resolution; or

(b) At least 21 clear days' notice in writing (and not less than 10 clear business days) if the proposal constitutes a special resolution.

RIGHT TO PUT ENQUIRIES TO THE BOARD

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the company secretary.

RIGHT TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 58 of the Company's articles of association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 85 of the Company's articles of association, no person other than a director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 17.50(2) of the GEM Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

CONSTITUTIONAL DOCUMENTS

During the financial year ended 31 December 2018, there had been no significant change in the Company's constitutional documents. The articles of association of the Company are available on the websites of the Stock Exchange and the Company.

INVESTOR RELATIONS

The Company believes that maintaining effective communication with the investment industry is crucial to having a deeper understanding of the Company's business and its development among investors. To achieve this goal and increase transparency, the Company will continue to adopt proactive measures to foster better investor relations and communications. As such, the purpose for the Company to formulate investor relations policies is to let investors have access to the information of the Group in a fair and timely manner, so that they can make an informed decision.

We welcome investors to write to the Company or send their inquiries to the Company's website www.gt-steel.com.sg to share their opinions with the Board. The Company's website also discloses the latest business information of the Group to investors and the public.

ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

The management provides such explanation and information to the Board and reports to the Board on the financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. As at the date of this report, the Board was not aware of any material uncertainties relating to any events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by the external auditor about their reporting responsibility is set out in the section headed "Independent Auditor's Report" of this report.

Environmental, Social and Governance Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

According to the environmental, social and governance ("ESG") Reporting Guide in Appendix 20 ("ESG Reporting Guide") published by the Stock Exchange of Hong Kong ("SEHK"), GT Steel Construction Group Limited ("GT Steel", "we", "our") is required to report on the "comply or explain" provisions of the ESG Reporting Guide, which include the disclosure of Environmental Key Performance Index ("KPI").

We have assigned our Director and Senior Management at appropriate level to promote and implement our ESG policy and initiatives, and to collect and report the relevant ESG data and KPI. This report provides details of the environmental policy, initiative and data, including the methodology and approach, and data results for the GT Steel's operations.

SCOPE OF REPORTING

GT Steel was established in Singapore since 2003 as an independent structural steel fabricator. The Group is principally engaged in the design, supply, fabricate and erect structural steelworks for the buildings, including technological plants, industrial building, commercial buildings, government institutions and residential buildings in Singapore.

The environmental data covers the financial year from 1 January 2018 to 31 December 2018 ("the Review year") with the scope confined to GT Steel major business segment of design, supply, fabricate and erect structural steelworks for the construction of buildings, and to the two factories in Singapore.

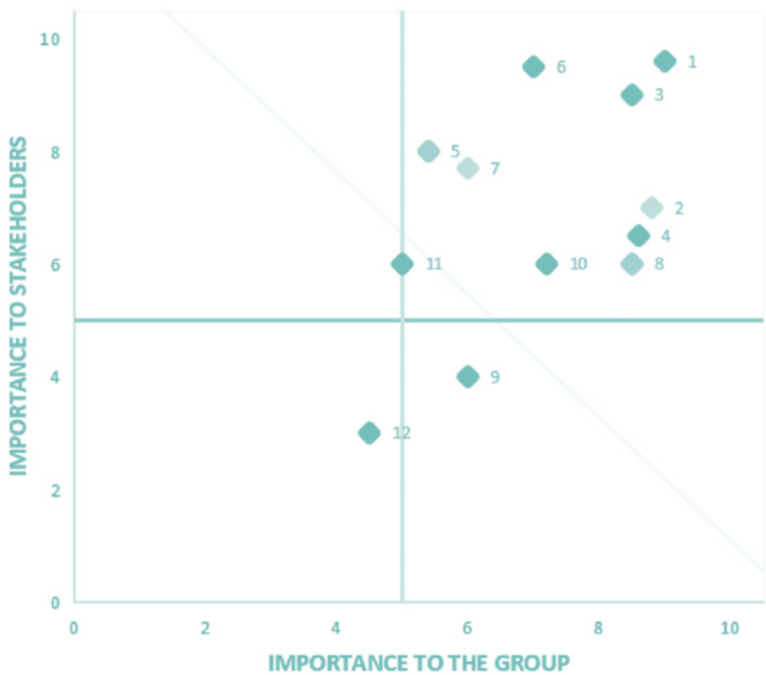
STAKEHOLDERS' ENGAGEMENT

Stakeholders' engagement is an integral part of the Group's business management as it helps the Group to assess potential risks and business opportunities. Communicating with stakeholders and understanding their views can align the Group's business practices with stakeholders' needs and expectations and properly address different views. As shown in the following table, the Group communicates with key stakeholders within and outside the Group through various channels on a regular basis. This practice enables our stakeholders to understand the development and operation guidelines of the Group and allows the Group to obtain their views, thereby prioritizing different issues and formulating appropriate protocol.

Stakeholder Group	Ways of Communication
Employees	Day-to-day reporting
	Regular meetings
	Performance evaluation
Suppliers & business partners	Assessment
	Continuous and direct communication
Shareholders & investors	Company meetings
	Regular disclosure of financial and operational information
	GT Steel's website
	Active communication to address investors' concerns
Government departments	Active communication to facilitate understanding
	Regular compliance reporting
Customers	GT Steel's website
	Customer complaints and feedback channel
	Social media
Communities	GT Steel's website

MATERIALITY ASSESSMENT

With reference to continuous feedback obtained from stakeholders, material topics are identified and defining this report content and topic boundaries with reference to the procedures as suggested by the core items under ESG Reporting Guide. The Management of the Group has selected and ranked the 12 most concerned ESG issues for this report. Present underneath the materiality matrix of ESG issues in the Review year:



The most concerned ESG issues that are discussed in this report are:

Index	Concerned issues	Response on ESG aspect
1	Staff occupational health and safety	B1-Employment
2	Employment practices &labour standards	B1-Employment
3	Staff development & training	B1-Employment
4	Open communication	B1-Employment & B5-Supply Chain Management
5	Resource consumption	A2-Use of Resources
6	Procurement practice	B5-Supply Chain Management
7	Anti-corruption & bribery	B7-Anti-corruption
8	Emission control	A1-Emissions
9	Complaint handling	B6-Product Responsibility
10	Diversity & equal opportunity	B1-Employment
11	Quality assurance	B6-Supply Chain Management
12	Contribution to local communities	B8-Community Investment

STAKEHOLDER'S FEEDBACK

The Group welcomes stakeholders' feedbacks on our ESG approach and performance, based on which we will take relevant actions and continuously improve our sustainability performance.

THE ENVIRONMENT

The Group places high value on environmental protection and, accordingly has established and implemented operation protocol. Pursuant to which we have taken into account factors concerning environmental protection and enhancement in every aspect of our operations, strives to reduce carbon footprint, effectively utilize resources and advocates environmentally responsible business practices. We strive to minimize our impacts on the environment while maintaining our competitiveness in long-term sustainable development.

The Group has a regular process to obtain updates and related requirements of the latest national environmental protection laws and regulations, particularly those relating to air and greenhouse gas emissions ("GHG"), discharges into water and land, and generation of hazardous and non-hazardous waste, including, but not limited to the Environmental Protection and Management Act (Chapter 94A of Statutes of Singapore) ("EPMA").

A1 Emissions

The major source of air pollution within GT Steel operation is usage of motor vehicles. To mitigate air pollution, we continue to use more electricity-driven motor vehicles in order to lessen the consumption of diesel/fuel. The following table shows the emissions of key air pollutants within GT Steel operation:

Emissions	**2018**
Nitrogen Oxides (NOx), kg	219.1
Sulfur Dioxide (SO_2), kg	3.4
Particulate Matter (PM) kg	21.0
Direct Emission of GHG[2], Scope 1, tonnes of CO_2e	575.5
Indirect Emission of GHG, Scope 2, tonnes of CO_2e	31.1
Other Indirect Emission of GHG, Scope 3, Tonnes of CO_2e	20.9
Total GHG Emission, Scope 1, 2 & 3, tonnes of CO_2e	**627.5**
Intensity of GHG, tonnes of CO_2e/sales in Million	12.55

Notes:

1 GHG emissions data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, Appendix II: Reporting Guidance on Environmental KPIs" issued by the SEHK.

2 Major source of Scope 1 emission came from usage of gasoline.

3 Major source of Scope 2 emission came from usage of purchased electricity. The emission factor refers to Singapore's average Operating Margin Grid Emission Factor.

4 Major source of Scope 3 emission came from paper usage.

5 Intensity is calculated by the total amount consumption divided by the revenue of S$50 million. Figure is rounded to the nearest 2 decimal digits.

Conservation Practices

Exhaust gas

Exhaust gas generated by the Group during the operation is mainly from the emissions of vehicles. In order to raise awareness of employees on reducing GHG emissions, the Group has adopted and implemented relevant and effective measures over exhaust gas reduction, including phasing out any vehicles that fail to satisfy the standards of the national emission policy, purchasing regular diesel and gasoline for vehicles, conducting annual inspections to ensure the compliance with national emission standards; and reducing the number of business trips through utilizing electronic communication such as tel-conferencing.

Sewage

During our daily operation, the Group discharges domestic sewage as minimal as practicable into the local sewage pipe network. The Group believes there are no material ESG concerns on this area.

Waste

The Group places high emphasis on proper waste disposal. We do not generate any significant hazardous waste while the non-hazardous wastes generated were domestic waste and paper. We have arranged general waste service providers to collect and process those wastes on a regular basis.

In our production cycle, we have applied energy efficiency equipment such as computer numerical controlled ("CNC") steel cutting machines and CNC drilling machines for our fabrication processor fabrication process, which is predominantly used for the cutting and drilling of steel sections and plates, fitting and welding, generates steel off-cuts and the trimmings that are recycled into the production process.

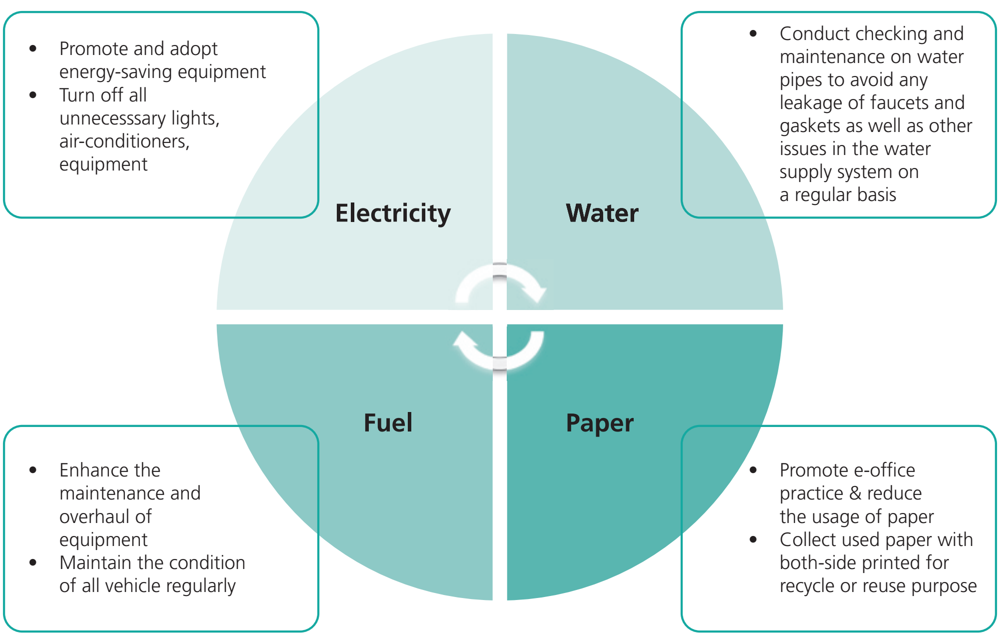
For erection work on site, we have implemented quality control processes, including rigorous checking, inspections and testing, at various stages before delivering the fabricated steelworks to the project site. As our steelworks are pre-engineered to the correct dimensions and hence, we believe there are no site waste generated. Since steel is the major raw material in our operations and being one of the most commonly recycled building materials, our operation does not generate related wastes.

A2 Use of Resources

The Group is fully aware of the high values of natural resources and committed to reducing the waste of resources in its daily operation. Our operation protocol has set out several principles of saving resources in a bid to encourage employees to use the natural resources in an effective way.

Conservation Measures

The Group also carries out resources saving initiatives in every aspect of its operation:



The Group constantly monitors the implementation of energy saving initiatives during the operation and establishes proper objectives for improvement, so as to enhance employees' awareness in energy saving.

Consumption Data

Major consumption	**2018**	**Intensity (unit/sales in million)**
Purchased electricity, kWh	273,819	5,476
Diesel& fuel, litre	211,529	4,231
Water consumption, Cubic meter	8,345	167
Paper, kg	1,135	23

Notes:

1 Water consumption refers to office water consumption.

2 Our operation does not generate hazardous waste.

3 We do not generate significant non-hazardous waste or waste water.

4 Packaging material usage is insignificant in our operation process, thus we do not maintain a record accordingly.

5 Intensity is calculated by individual consumption divided by the revenue of S$50 million. Figure is rounded to the nearest whole number.

A3 The Environment and Natural Resources

The Group is fully aware of the importance of the environment and natural resources. The Group has integrated the concept of environmental protection and natural resource conservation into its internal management and daily operations with the aim of achieving environmental sustainability. In order to assist all employees in understanding the key environmental factors and related departments in controlling the potential impacts on environment and natural resources, the Group identifies key operational issues and provides employees with trainings to enhance their awareness.

The Group has complied with the applicable laws and regulation in relation to the waste disposal and environmental pollution management including Environmental Public Health Act, and Environmental Public Health (General Waste Collection) Regulations. In the Review year, no non-compliance of the relevant regulations regarding emissions or environmental issues has been identified.

THE COMPANY AND EMPLOYEES

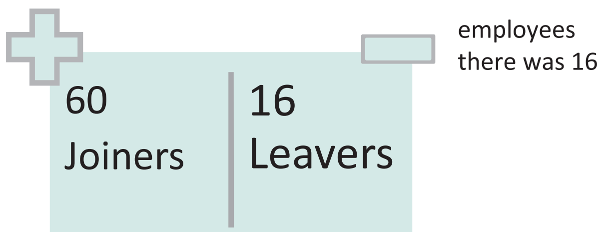
The Group is committed to providing a good working environment for the employees, in a bid to enhance cohesion and sense of belongings among the employees, thereby achieving a mutual growth and development. According to the Singapore Employment Act, the Group has prepared a Staff Handbook by taking into account its specific operation needs, which covers policies and measures in relation to relevant employment system, working safety and health, training and development and labor standards.

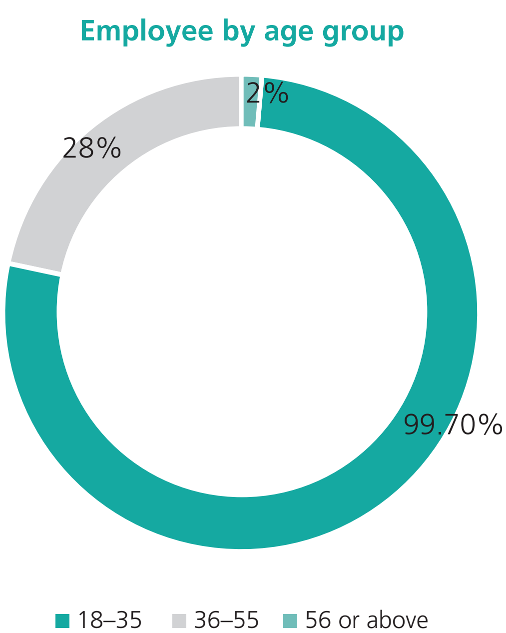
B1 Employment

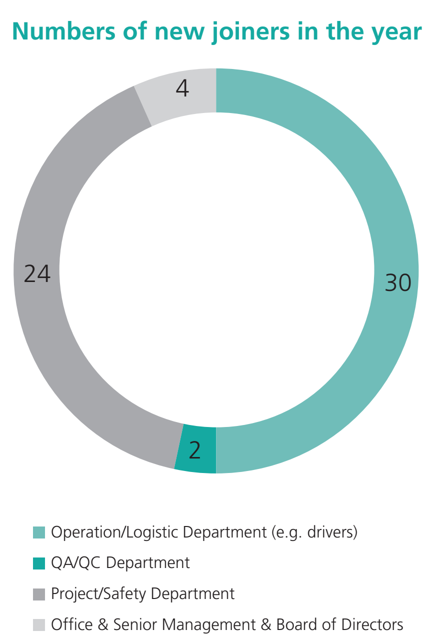
Our recruit and select standards are based on candidates' merits, qualifications, competencies attributes and experience, with no discrimination on age, gender, race and religion. Employees are regarded as the greatest and valuable assets and core competitive advantage of GT Steel. An effective Human Resource ("HR") management set off to achieve a respectful and fair working environment, attract and retain competent employees, and their deserved benefits as compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, and other benefits and welfare.

GT steel complies with laws and regulation, the Ministry of Manpower of Singapore ("MOM") Anti Child Labor Policy and MOM Prohibition of Forced Labor Policy and we strictly prohibits the use of child labour and forced labour.

As at 31 December 2018, The Company had a total of 146 employees including directors of the Company. In the Review year, there was 16 leavers from project and safety department and administration office.







In the Review year, we are in compliance with all the applicable laws and regulations relating to employment and labour standards, including, but not limited to the Employment Act (Chapter 91 of Statutes of Singapore), the Employment of Foreign Manpower Act (Chapter 91A of Statutes of Singapore), the Employment of Foreign Manpower (Work Passes) Regulations 2012 ("EFMR") and Central Provident Fund of Singapore ("CPF").

B2 Safety and health

Upholding the production principle of safety first and prevention oriented, the Group highly values the health and safety of each of its employees. GT Steel has established and implemented general rules for safety production to maintain and safeguard the occupational health and safety of employees during the production and to reduce the risk of occupational hazard.

Although steel is an inherently safe construction material due to its offsite factory fabrication under a controlled environment, and efficient onsite erection by skilled workers, to ensure the sufficient awareness of occupational safety among our employees, the factory requires employees to attend the safety education and technical training before performing their duties. In addition, the factory provides employees with safety tools and equipment at workplace. Employees should wear labor protection articles such as hardhat, overalls, and working shoes while accessing to the production areas. Workers engaged with the operation of special devices must obtain licenses, while unrelated persons are prohibited from operating any types of machinery and electronic devices without authorization.

We are committed to providing a safe and healthy workplace to all our employees and have obtained bizSAFE level star and OHSAS 18001:2007 certifications. To ensure operational safety, an Occupational Health and Safety Management System ('OHS') is implemented. We continuously maintain all necessary safety measures in our factories and follow a six-step action plan, which is the core protocol for identification, correction and prevention of occupational health and safety hazards.

We regularly organize safety and health checks at various levels within the operation to monitor those risk factors and take precautionary measures where necessary. We also conduct risk assessments to identify potential OHS hazards and annual internal audits to ensure compliance with our systems manuals and procedures, followed with the development of an action plan, and implementation of corrective and preventive measures.

We are committed to providing a safe and healthy workplace to all our employees and have obtained bizSAFE Level Star and OHSAS 18001:2007 certifications.

B3 Staff development

GT Steel continues to support the performance, improvement, development and growth of our employees across all levels.

Training and Promotion

The Group is committed to creating a sustainable environment for our employees to develop their professional technical skills and to assist them in developing personal capabilities. We encourage our employees to participate in various training courses covering area of workplace safety & health and occupational skills such as operation of forklifts, scissors lifts and boom lifts, and first aid courses. Thirty nine training courses are organized in the Review year and the trainings are prepared and given by both internal and external professionals in accordance to the departmental and individual needs.

Employees are encouraged to provide feedback on the trainings, such as through an end-of-learning evaluation that is designed for monitoring the effectiveness and relevancy of the provided training.

We have performance management and appraisal process in place and adopted consistent policy and procedure for the performance appraisal. The result of annual performance appraisal forms a key basis of monetary incentives and/or promotions, which are comprehended with on-the-job and off-the-job trainings for our employee. In principle, the follow-up actions are planned and implemented in accordance to the various departmental needs and the work scope and nature of individual employees.

B4 Safe workplace

One of the core provisions in our OHS management system are providing and maintaining a safe, clean and environmentally-friendly working condition for employees. Elements in a safe workplace can be divided into two sectors, namely human and hardware.

In order to enhance the safety awareness among our employee, we have developed a set of operational control protocol outlining safety requirements and procedures in conducting hazardous works including hot work, working at heights, and lifting of heavy item. These protocols remain employees on potential OHS risks and correct ways to tackle.

We implement numbers of safe-promoting tools and equipment in our workplace to migrate safety risks including securing of construction materials with netting to prevent unwanted movement and failing of objects; providing toolboxes to workers to secure their tools and small construction materials while climbing and moving at the construction sites.

There are no records of any significant injury or death of employees during the Review year. In addition, no non-compliance against the relevant law that resulted in significant fines or sanctions had to be reported in the Review year.

We have adhered to all applicable laws and regulations in relation to health and safety, including, but not limited to the Workplace Safety and Health Act (Chapter 354A of Statutes of Singapore) ("WSHA") and the Work Injury Compensation Act (Chapter 354 of Statutes of Singapore) ("WICA").

THE COMPANY AND PARTNERS

Upholding the belief of creating extra values for other stakeholders, including customers, environment and the society, the Group is committed to building up a long-term and friendly relationship with our suppliers and customers and firmly believes that such relationship is based on our responsible and honest operational philosophy.

B5 Our Supply Chain Management

The Group highly values its corporation with suppliers, and understands that establishing corporative relationship with suppliers is beneficial to constantly enhance the Group's operation procedure and improve its product quality. Hence, aiming at strengthening the supply chain environment and social risks management, the Group has formulated and implemented the Quality, Environmental and Occupational Health & Safety Management System ('QEHS' system) which is certified with international standards, ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007.

We have established and followed a stringent and standardized procurement system, including a supplier selection process. Among other key factors, we take environmental and social risk control of suppliers into account for the purposes of regulating the procurement system, controlling the costs effectively and enhancing the transparency of procurement management.

Supplier Assessment

We expect our suppliers to fulfill the standards of the terms of environment, quality, society, corporate governance as well as commercial ethics. We also require our suppliers to deliver positive influences on the environmental and social matters, the scopes of which mainly include operational compliance, employee's security and health, social responsibility, commercial ethics and environmental protection.

Fair and Open Procurement

Our main purchases are steel parts and rental of machines sourced locally from suppliers in Singapore.

The Group makes procurement on an open, fair and impartial basis without any discrimination against any particular supplier nor corruption and bribery. The Group stresses the integrity of its suppliers and business partners. We only select suppliers and business partners with good business track records.

We engage subcontractors to provide services such as galvanizing works, painting or electrical works, which we do not typically provide in-house, and to carry out certain steel fabrication works and site installation works to better allocate our resources for our projects' needs.

It is our responsibility to ensure the health and safety of the raw materials we use, and the performance of vendors, including the subcontractors. To begin with, we maintain an approved vendor list for suppliers and subcontractors who have passed our assessment criteria. Suppliers and subcontractors are assessed on five major criteria before being approved as valid vendors and subcontractors. The five criteria are1) market reputation;2) existence of an effective quality, environmental, health and safety system; 3) response to our request for services; 4) reliability of product or services procured; and 5) quality of samples provided.

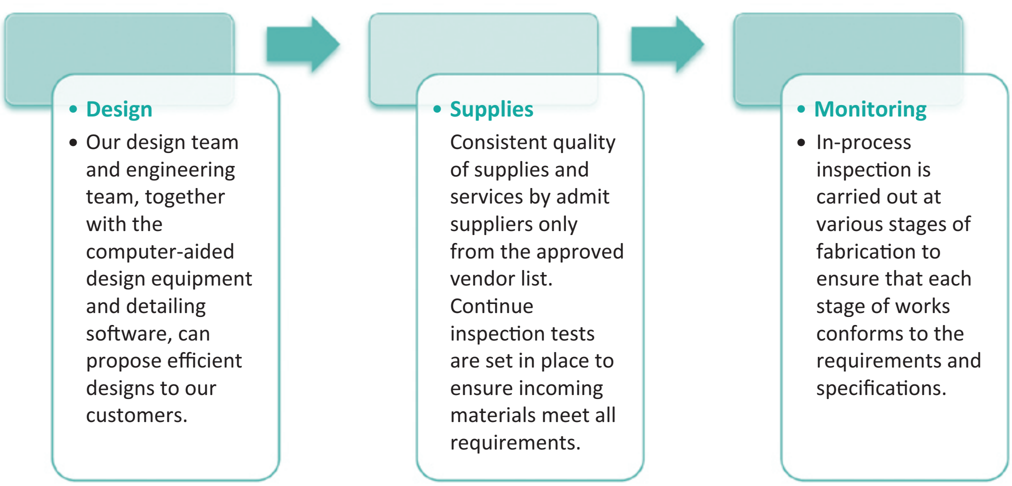
Each approved vendor is reviewed and the approval vendors list is updated annually based on their performance, such as quality timeliness, responsiveness and their environmental, health and safety record.

When subcontractors are engaged in high safety-risky work, they must participate at relevant project site meetings, including toolbox meetings and safety committee meetings, to ensure that daily operations are carried out in a safe manner. Periodic inspections are also undertaken to review the safety compliance of subcontractors at the project sites,including the compliance with safety procedures at the project site, the use of protective equipment and the availability of safety officers and trained workers.

B6 Product Responsibility

Attaching great importance to product quality and safety, we continue to monitor quality and maintain our internal control process. The Group strictly monitors the entire production process from receipt of materials, production to product delivery. We also maintain on-going communication with our customers to ensure understanding and satisfaction of their demand and expectations, as well as to constantly improve our service.

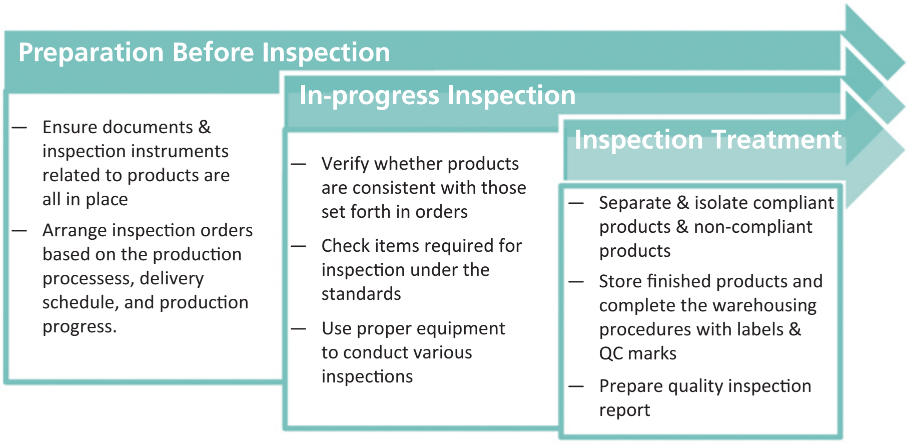
Our Quality Management System ("QMS"), which is certified with ISO 9001, is in place to ensure we operate in compliance with all laws and regulations, and for continuous improvement.



The quality control processes including rigorous checking, inspections and testing, are implemented throughout all of our business activities from design and material selection, to the delivery of our works to our customers.

To manage materials' quality, we have formulated inspection guideline to regulate the quality inspection standards for materials so as to ensure that no non-compliant materials would enter the production processes.

Inspection and monitoring are constantly conducted in the production process.



In which case, products identified as non-compliant would be disposed or recycled if they are qualified under certain criteria. In case of any product sold to the market but identified as having safety hazards, the Group would recall and assess the root source to minimize the occurrence of same situation. In the Review year, the Group did not identify any cases related to product recall or disqualified product.

THE COMPANY AND CUSTOMERS

The Group places a high value on smooth communications channels with our customers to fulfill our customers' demand. Our complaint channel enables our customers to submit complaints and/or suggestions regarding our service or commodity quality. We also invite our customers to participate in our customer satisfaction survey at the conclusion of each project to proactively understand their views.

As part of good corporate governance maintained by the Group, protection of customer data is also a key to cultivating a long standing trusted relationship with our customers. The personal information of our customers is collected and used in a responsible and non-discriminatory manner. We have stringent policies and practices regarding collection,use and maintenance of personal data. Relevant private data and information is maintained in a designated area. In addition, we have protocol for publishing confidential information to ensure such information is published and communicated in a correct and proper manner.

In connection with advertising and labeling, the Group has appointed external legal advisor to provide legal opinions and perform their duty of oversight. In case that any advertisement or labeling is found false or exaggerating, the Group would immediately cease to circulate such false advertisement and eliminate the negative effects by issuing a clarification announcement accordingly.

In the Review year, we have complied with all the applicable laws and regulations relating to products and services liabilities. There are also no identified material claims or compensations or requests of such in relation to product and/or service liability.

B7 Anti-corruption

The Group adopts a zero-tolerance policy on acts of corruption in any form, including bribery and extortion, fraud and money laundering, by undertaking that it conducts its business in an honest, ethical and good faith manner. The Group clearly stipulates that our employees are prohibited from providing special treatments and seeking any form of benefits from our customers, suppliers or any business associates, the Group encourages our employees and external stakeholders to report corruption incidents. In any instances of misconduct, including breach of confidentially or any conflicts of interest, acts of bribery and/or corruption, disciplinary action will be applied to any employees found to be involved, and may extend to further legal action.

We have promoted and enforced a code of conduct across our employees and directors. The code of conduct prohibits us from seeking personal gains by abusing our powers or by taking advantage of our positions. Our employee training also emphasizes the business integrity and independence. We have implemented a whistle blowing system for the reporting of any concerns or complaints of any wrongdoing. The policy is open to employees, as well as outside stakeholders including but not limited to suppliers, customers, and contractors.

During the Review year, we are in compliance with all the applicable laws and regulations relating to bribery, extortion, fraud and money laundering, including, but not limited to The Prevention of Corruption Act (Chapter 241) and Competition Act (Chapter 50B) of Singapore.

THE COMPANY AND COMMUNITY

As a corporation with commitment to social responsibility, the Group is committed to supporting the community where its business operates by applying its professional skills and resources to cultivate talents.

In the Review year, we are engaged in an educational program and welfare service and provided supports to the children from low-income families. We believe this program helps us to drive the community development in a positive way.

APPENDIX 1: SEHK ESG REPORTING GUIDE INDEX

SEHK ESG Reporting Guide General Disclosures		Reference Section/Remark	Comply or Explain
A. Environment			
A1 Emission	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, etc.	The Company and the Environment	Complied
KPI A1.1	The types of emissions and respective emissions data.	Emission	Complied
KPI A1.2	Greenhouse gas emissions in total, and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emission	Complied
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable — No hazardous waste is generated	Explained
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable — Waste generation is considered insignificant	Explained
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Conservation Practices	Complied
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Conservation Practices	Explained
A2 Use of Resource	Policies on efficient use of resources including energy, water and other raw materials.	Consumption Data	Complied
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources	Complied

SEHK ESG Reporting Guide General Disclosures		Reference Section/Remark	Comply or Explain
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources	Complied
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Use of Resources	Complied
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Not applicable — water consumption were insignificant	Explained
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable — Packaging materials used in operation were insignificant.	Explained
A3 The Environment and Natural Resources	Policies on minimizing the operation's significant impact on the environment and natural resources.	The Environment and Natural Resources	Complied
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Not applicable. We do not have significant impacts of activities on the environment and natural resources.	Explained
B. Social			
B1 Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	The Company and Employees	Complied

SEHK ESG Reporting Guide General Disclosures		Reference Section/Remark	Comply or Explain
B2 Health and Safety	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on providing a safe working environment and protecting employees from occupational hazards.	Safety and health	Complied
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Staff Development	Complied
B4 Labour Standards	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on preventing child or forced labour.	Staff development	Complied
B5 Supply Chain Management	Policies on managing environmental and social risks of supply chain.	The Company and Partners	Complied
B6 Product Responsibility	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility	Complied
B7 Anti-corruption	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on bribery, extortion, fraud and money laundering.	Anti-Corruption	Complied
B8 Community Investment	Policies on community engagement to understand the community's needs where it operates and to ensure its activities take into consideration communities' interests.	The Company and Community	Complied

Report of the Directors

The Board is pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

GROUP REORGANISATION

The Group was formed after the Reorganisation (as defined below) for the purpose of the listing as disclosed in Note 2 to the consolidated financial statements.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in Note 30 to the consolidated financial statements in this report. The business of the Group is principally engaged in the design, supply, fabricate and erect structural steelworks for the construction of buildings, including technological plants, industrial buildings, commercial buildings, government institutions and residential buildings in Singapore.

BUSINESS REVIEW

A business review of the Group and an indication of likely future development in the Group's business are provided in the "Management Discussion and Analysis" of this annual report.

RESULTS AND APPROPRIATIONS

The Group's financial performance for the year ended 31 December 2018 is set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 56 of this report and the financial position of the Group as at 31 December 2018 is set out in the Consolidated Statement of Financial Position on page 57 to 58 of this report. The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company (the "Shareholders") to allow the Shareholders to share the Company's profits and for the Company to retain adequate reserves for further growth.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's financial results, the general financial condition of the Group, the Group's current and future operations, the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants, liquidity position and capital requirement of the Group and any other factors that the Board deem appropriate.

The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or no way obligate the Company to declare a dividend at any time or from time to time.

The Board does not recommend dividend for the year ended 31 December 2018.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the past four years ended 31 December 2018 is set out on page 124 of this report. This summary does not form part of the audited financial statements.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 December 2018, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

KEY RISKS AND UNCERTAINTIES

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 this responsibility to various operational departments. The Group's financial position, operations, business and prospects may be affected by the following identified risks and uncertainties. The Group adopts risk management policies, measures and monitoring systems to pre-empt and contain exposures associated with the identified risks.

Liquidity Risk

The Group's exposure to liquidity risk arises in the general funding of the Group's operations, in particular, that the duration of the contracts spans from 1 month to 1 year and during which the amount of progress claim varies from month to month depending on the provision of construction works and installation and auxiliary services for the month. The supply and installation schedule is as directed by the customer, in accordance with the main contractor's schedule. As such, the Group actively manages our customers' credit limits, aging, and repayment of retention monies and monitors the operating cash flows to ensure adequate working capital funds and repayment schedule is met.

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 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.

GOING CONCERN

Based on the current financial position and financing facilities available, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the consolidated financial statements were prepared on a "going concern" basis.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year ended 31 December 2018 are set out in Note 14 to the consolidated financial statements.

BANK BORROWINGS

Details of the Group's obligations under finance leases and bank borrowings as at 31 December 2018 are set out in Notes 22 and 23 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2018 are set out in Note 25 to the consolidated financial statements in this report.

USE OF PROCEEDS FROM THE SHARE OFFER

As at 31 December 2018, the Company has not yet utilised the net proceeds of approximately HK$35.1 million (approximately S$6.05 million) raised from the Share Offer in accordance with the intended use of proceeds set out in the Prospectus. Details of the intended uses and utilised amount are set out on page 9 of this report.

RESERVES

Details of change in reserves of the Group and the Company are set out on page 59 of the consolidated statement of changes in equity and page 115 of this report.

DISTRIBUTABLE RESERVES

The Company did not have distributable reserves as at 31 December 2018, calculated under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2018, the Group did not make charitable contributions.

EVENT AFTER THE FINANCIAL YEAR

No significant events have taken place subsequent to 31 December 2018 and up to the date of this report.

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, sales to the Group's five largest customers accounted for approximately 93.9% of total sales and sales to the largest customer included therein amounted to approximately 82.7% of total sales. The Group's five largest suppliers accounted for approximately 83.1% of total purchases during the year ended 31 December 2018 and purchases from the largest supplier included therein amounted to approximately 52.4% of total purchases.

None of the Directors or any of their close associates (as defined in the GEM Listing Rules), or any of the shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or its five largest suppliers during the year ended 31 December 2018.

ENVIRONMENTAL POLICY

Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. The Group encourages environmental protection and promote awareness towards environmental protection to the employees. The Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance.

The Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses to move towards adhering the 3Rs — Reduce, Recycle and Reuse and enhance environmental sustainability.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, as far as the Company is aware, there was no material breach of non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognises that employees are our valuable assets. Thus the Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments conform to the market standard.

The Group also understands that it is important to maintain good relationship with our business partners, suppliers and customers to achieve its long-term goals. Accordingly, the senior management have kept good communication, promptly exchanged ideas and shares business update with them when appropriate. During the year, there was no material and significant dispute between the Group and its business partners, suppliers and customers.

DIRECTORS

The Directors during the year ended 31 December 2018 and up to the date of this report were:

Executive Directors

Mr. Ong Cheng Yew *(Chairman)*
Ms. Koh Siew Khing

Independent Non-Executive Directors

Mr. Tam Wai Tak Victor
Ms. Chooi Pey Nee
Mr. Tan Yeok Lim

DIRECTORS' SERVICE CONTRACTS

During the year ended 31 December 2018, the executive Directors, Mr. Ong Cheng Yew and Ms. Koh Siew Khing have service contracts with the Company for a fixed term of 3 years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing sent by either party or the other.

Each of the independent non-executive Directors has entered into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of the independent non-executive Directors is appointed with an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

No Directors proposed for re-election at the forthcoming annual general meeting of the Company have a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION POLICY

The Directors' fees are subject to shareholders' approval at general meetings.

Other remunerations are determined by the Board with reference to the Directors' experience, responsibilities and performance of the Group.

The remuneration policy of the Group is on the basis of the qualifications and contributions of individuals to the Group.

Details of the remuneration of the Directors and five highest paid individuals pursuant to Rules 18.28 to 18.30 of the GEM Listing Rules are set out in Note 11 to the consolidated financial statements.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Biographical details of the Directors and the senior management of the Group are set out on pages 11 to 13 of this report.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

None of the Directors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party at any time during or at the end of the year ended 31 December 2018.

As of 31 December 2018, no contract of significance had been entered into between the Company, or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries.

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 2018.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors were independent during the period from their respective appointments and up to the date of this report.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole and any part of the Company's business were entered into or existed during the year ended 31 December 2018.

PERMITTED INDEMNITY PROVISION

The articles and association of the Company provides that the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts. In addition, the Company has arranged for appropriate and sufficient insurance coverage on directors' liabilities in respect of legal actions taken against the Directors arising out of corporate activities.

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

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

Name of Director	Nature of interest	Number of shares held	Approximate percentage of the issued share capital
Executive Directors:			
Mr. Ong Cheng Yew	Interest of the controlled company[1]	360,000,000	75%
Ms. Koh Siew Khing[2]	Interest of spouse	360,000,000	75%

Notes:

(1) Broadbville Limited is wholly-owned by Mr. Ong Cheng Yew. Under the SFO, Mr. Ong Cheng Yew is deemed to be interested in all the shares of the Company held by Broadbville Limited.

(2) Ms. Koh Siew Khing is the spouse of Mr. Ong Cheng Yew and is deemed to be interested in all the shares of the Company in which Mr. Ong is interested in under the SFO.

Save as disclosed above, as at 31 December 2018, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2018, the register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 December 2018, the Company had been notified of the following substantial shareholder's interest and short positions being 5% or more of the issued share capital of the Company.

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

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

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who had an interest or short position in the securities of the Company that were required to be entered in the register of the Company pursuant to section 336 of the SFO as at 31 December 2018.

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

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

A full corporate governance report is set out on pages 14 to 23 of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders unless otherwise required by the Stock Exchange.

INTEREST OF THE COMPLIANCE ADVISER

As at the date of this annual report, neither Vinco Capital Limited, the compliance adviser of the Company, nor any of its directors, employees or close associates has any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of the GEM Listing Rules.

SHARE OPTION SCHEME

The company adopted a share option scheme (the "Share Option Scheme") on 2 November 2017. Its principal terms are summarised below:

(a) Purpose

The purpose of the Share Option Scheme is to provide an incentive or a reward to eligible persons for their contribution to the Group.

(b) Eligible Participants

"Eligible Participant(s)" refer to the employee, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person whom in the absolute discretion of the Board, has contributed or may contribute to the Group as incentive or reward for their contribution to the Group to subscribe for the Shares thereby linking their interest with that of the Group.

(c) Total number of Shares available for issue

A maximum of 48,000,000 Shares, being 10% of the total number of Shares in issue as at the Listing Date, may be issued upon exercise of all options to be granted under the Share Option Scheme.

(d) Maximum entitlement of each Eligible Participant

Unless approved by the Shareholders in general meeting and subject to the following paragraph, the maximum number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme to any one person (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time.

Options granted to any of the Directors, chief executive or substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates (as defined in the GEM Listing Rules) in any 12-month period up to and including the date of such grant (a) representing in aggregate over 0.1% of the total number of Shares in issue; and (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, must be approved by the Shareholders in general meeting in advance.

(e) Option period

Subject to the rules of the Share Option Scheme, an option may be exercised in whole or in part by the grantee at any time before the expiry of the period to be determined and notified by the Board to the grantee which in any event shall not be longer than ten years commencing on the date of the offer letter and expiring on the last day of such ten-year period.

(f) Minimum vesting period

No minimum period for which an option must be held before the exercise of any option save as otherwise imposed by the Board in the relevant offer of options.

(g) Payment on acceptance of the option

Participants of the Share Option Scheme are required to submit to the Company a duly signed offer letter within 21 days from the offer date together with a payment in favour of the Company of HK$1 as the consideration of the grant.

(h) Basis of determining the exercise price

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as determined by the Board, and shall be not less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations 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 grant of a particular option; and

(iii) the nominal value of a Share on the Offer Date.

(i) Remaining life

Subject to any prior termination by the Company in a general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the Share Option Scheme, after which period no further options shall be granted. All options granted and accepted and remaining unexercised immediately prior to the expiry of the Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

Since the adoption of the Share Option Scheme, no option has been granted under the Share Option Scheme. Therefore, no option was exercised or cancelled or has lapsed during the year ended 31 December 2018 and there was no outstanding option as at 31 December 2018.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte & Touche LLP as the auditor of the Company.

On behalf of the Board
GT Steel Construction Group Limited
Ong Cheng Yew
Chairman and Executive Director

Singapore, 13 March 2019

Independent Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of GT Steel Construction Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), set out on pages 56 to 123, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by International Auditing and Assurance Standards Board ("IAASB"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	**How the matter was addressed in the audit**
Contract Revenue Recognition (Note 6) and Accounting for Construction Contract (Note 17)	
The Group is involved in construction projects for which it applies the input method to measure the Group's progress towards complete satisfaction of a performance obligation and recognises revenue over time in accordance with IFRS 15 *Revenue for contract with customers*. The revenue and profit recognised in a year on these projects is dependent, amongst others, on the assessment of the Group's efforts or inputs to the construction projects (ie. contract cost incurred for work performed) relative to the total expected inputs to the construction projects (ie. estimated total budgeted contract cost committed for the projects). The uncertainty and subjectivity involved in determining the cost to complete and foreseeable losses may have a significant impact on the revenue and profit of the Group. The Group's revenue recognition policy and key source of estimation uncertainty are set out in Note 4 and 5 to the consolidated financial statements.	We have performed the following procedures: • obtained an understanding of the projects, evaluated the design and implementation of relevant controls and tested the operating effectiveness of the controls relating to revenue recognition and partially completed projects. • assessed the Group's revenue recognition practice to determine that they are in compliance with IFRS 15 *Revenue from contracts with customers*, including the assessment of the Group's efforts or inputs to the construction projects (i.e. contract cost incurred for work performed) relative to the total expected inputs to the construction projects (i.e estimated total budgeted contract cost committed for the projects). • For selected projects, our audit procedures included the following: i. agreed projects contract sum to signed contracts and variation orders; ii. obtained construction contract from management and reviewed for any specific or special performance obligations and conditions during the financial period; iii. assessed the reasonableness of cost incurred against our understanding of the projects; iv. vouched the actual cost incurred during the year to details of supplier invoices and subcontractors to check the validity and accuracy of the costs; v. performed cut-off testing to verify contract costs were taken up in the appropriate financial year;

vi. assessed and vouched to the estimated cost to complete by substantiating costs that have been committed to quotations and contracts entered;

vii. performed retrospective review by comparing the total actual contract costs incurred at completion against the total budgeted contract costs to assess the reasonableness of the estimates used by the management;

viii. for projects in progress, we further re-computed the percentage of the progress of the contract based on input method to test the accuracy of the percentage of the progress to determine the revenue;

ix. for projects completed during the year, we obtained the certificate of substantial completion and verified that the remaining revenue has been captured;

x compared total contract revenue to actual cost incurred plus estimated cost to complete, and assessed for foreseeable losses;

xi examined the project documentation (including contracts effective during the financial period, terms and conditions) and discussed with management on the progress of significant projects to determine if there are any changes such as delays, penalties, overruns which may result in liquidated damages.

- assessed the appropriateness and adequacy of the disclosures made in the consolidated financial statements.

Based on our audit procedures performed above, we found that the management's judgement in relation to the estimation of construction contracts to be reasonable.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatements whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ronny Chandra.

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
Singapore

13 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Financial Year ended 31 December 2018

	Note	2018 S$	2017 S$
Revenue	6	**50,117,397**	27,890,048
Cost of services		**(37,898,474)**	(20,836,596)
Gross profit		**12,218,923**	7,053,452
Other income	7a	**216,862**	281,903
Other (losses) gains	7b	**(510)**	39,359
Selling expenses		**(377,869)**	(173,856)
Administrative expenses		**(3,856,821)**	(2,834,115)
Other expenses	7c	**—**	(3,879,260)
Finance costs	8	**(175,149)**	(143,006)
Profit before taxation		**8,025,436**	344,477
Income tax expense	9	**(1,482,936)**	(755,671)
Profit (Loss) for the year	10	**6,542,500**	(411,194)
Other comprehensive expense			
Item that may be reclassified subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operation		**(2,441)**	—
Total comprehensive income (expense) for the year		**6,540,059**	(411,194)
Basic earnings (loss) per share (S$ cents)	13	**1.36**	(0.11)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Financial Position

As At 31 December 2018

	Note	31 December 2018 S$	31 December 2017 S$ (Restated)*	1 January 2017 S$ (Restated)*
Non-current assets				
Property, plant and equipment	14	1,379,061	1,891,692	2,617,544
Investment properties	15	2,684,941	2,738,208	2,791,474
		4,064,002	4,629,900	5,409,018
Current assets				
Trade receivables	16	6,451,736	12,578,668	6,229,405
Contract assets	17	10,075,674	9,162,320	4,233,068
Deposits, prepayments and other receivables	18	3,773,322	241,751	175,336
Amount due from a director		—	—	135,653
Bank balances and cash	20	16,962,802	11,229,883	786,337
		37,263,534	33,212,622	11,559,799
Current liabilities				
Trade and other payables	21	8,351,549	12,311,592	2,832,467
Amount due to a director	19a	—	100,994	—
Amount due to ultimate holding company	19b	—	80,526	—
Contract liabilities	17	—	770,810	138,138
Obligations under finance leases — due within one year	22	139,823	137,141	143,040
Borrowings	23	4,388,533	3,029,919	1,749,147
Income tax payable		1,483,359	752,845	215,910
		14,363,264	17,183,827	5,078,702
Net current assets		22,900,270	16,028,795	6,481,097
Total assets less current liabilities		26,964,272	20,658,695	11,890,115

Consolidated Statement of Financial Position (Continued)

As At 31 December 2018

	Note	31 December 2018 S$	31 December 2017 S$ (Restated)*	1 January 2017 S$ (Restated)*
Non-current liabilities				
Obligations under finance leases — due after one year	22	**184,833**	321,270	455,703
Borrowings	23	**1,211,281**	1,309,382	1,440,965
Deferred tax liabilities	24	**71,631**	71,575	66,415
		1,467,745	1,702,227	1,963,083
Net assets		**25,496,527**	18,956,468	9,927,032
Capital and reserves				
Share capital	25	**827,586**	827,586	3,000,000
Share premium		**8,613,061**	8,613,061	—
Merger reserves		**2,999,983**	2,999,983	—
Accumulated profits		**13,058,338**	6,515,838	6,927,032
Translation Reserve		**(2,441)**	—	—
Equity attributable to owners of the Company		**25,496,527**	18,956,468	9,927,032

* The comparative information has been restated as a result of the initial application of IFRS 15 as discussed in Note 3.

The consolidated financial statements on pages 56 to 123 were approved and authorised for issue by the Board of Directors on 13 March 2019 and are signed on its behalf by:

Ong Cheng Yew
Chairman and Executive Director

Koh Siew Khing
Executive Director

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

For the Financial Year ended 31 December 2018

	Share capital S$	Share premium (Note A) S$	Merger reserves (Note B) S$	Accumulated profits S$	Translation Reserve S$	Total S$
At 1 January 2017	3,000,000	—	—	6,927,032	—	9,927,032
Total comprehensive expense for the year:						
Loss for the year	—	—	—	(411,194)	—	(411,194)
	3,000,000	—	—	6,515,838	—	9,515,838
Transactions with owners, recognised directly in equity:						
Issue of shares pursuant to the Reorganisation (Notes 2 and 25)	17	—	2,999,983	—	—	3,000,000
Elimination of share capital pursuant to Reorganisation (Note 2)	(3,000,000)	—	—	—	—	(3,000,000)
Issue of shares under the capitalisation issue (Note 25)	620,672	(620,672)	—	—	—	—
Issue of shares under the Share Offer (Note 25)	206,897	10,965,517	—	—	—	11,172,414
Share issue expenses	—	(1,731,784)	—	—	—	(1,731,784)
	(2,172,414)	8,613,061	2,999,983	—	—	9,440,630
At 31 December 2017	827,586	8,613,061	2,999,983	6,515,838	—	18,956,468
Total comprehensive income (expense) for the year:						
Profit for the year	—	—	—	6,542,500	—	6,542,500
Other comprehensive expense for the year	—	—	—	—	(2,441)	(2,441)
Total	—	—	—	6,542,500	(2,441)	6,540,059
At 31 December 2018	827,586	8,613,061	2,999,983	13,058,338	(2,441)	25,496,527

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 Reorganisation (Note 2) and the total par value and share premium amount of the shares issued.

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

For the Financial Year ended 31 December 2018

	2018 S$	2017 S$ (Restated)
Operating activities		
Profit before taxation	8,025,436	344,477
Adjustments for:		
Depreciation of property, plant and equipment	684,330	778,545
Depreciation of investment properties	53,267	53,266
Loss (Gain) on disposal of property, plant and equipment	510	(39,359)
Finance costs	175,149	143,006
Operating cash flows before movement in working capital	8,938,692	1,279,935
Movement in working capital:		
Decrease (Increase) in trade receivables	6,126,932	(6,349,263)
Increase in deposits, prepayments and other receivables	(3,531,571)	(66,415)
Increase in contract assets	(913,354)	(4,929,252)
(Decrease) Increase in trade and other payables	(3,960,043)	9,467,101
(Decrease) Increase in contract liabilities	(770,810)	632,672
Cash generated from operations	5,889,846	34,778
Income taxes paid	(752,366)	(228,292)
Tax refund received	—	14,716
Net cash from (used in) operating activities	5,137,480	(178,798)
Investing activities		
Purchase of property, plant and equipment	(183,849)	(89,845)
Proceeds from disposal of property, plant and equipment	11,650	76,511
Net cash inflow on acquisition of subsidiary (Note 35(d))	—	46,112
Repayment from a director	—	135,653
Net cash (used in) from investing activities	(172,199)	168,431

Consolidated Statement of Cash Flows (Continued)

For the Financial Year ended 31 December 2018

	2018 S$	2017 S$ (Restated)
Financing activities		
Issuance of share capital — net of listing expenses	—	9,440,630
Advance from a director	—	135,408
Repayment to ultimate holding company	(80,526)	—
Repayment to a director	(100,994)	—
Repayment of obligations under finance leases	(133,755)	(140,332)
Proceeds from borrowings	16,132,643	7,052,038
Repayment of borrowings	(14,872,130)	(5,902,849)
Interest paid	(175,149)	(130,982)
Net cash from financing activities	770,089	10,453,913
Net increase in cash and cash equivalents	5,735,370	10,443,546
Cash and cash equivalents at beginning of the year	11,229,883	786,337
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	(2,451)	—
Cash and cash equivalents at end of the year (Note 20)	16,962,802	11,229,883

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

For the Financial Year ended 31 December 2018

1 GENERAL

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

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

The Company is an investment holding company and its operating subsidiaries are engaged in 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 as set out in Note 30.

The functional currency of the Company is Singapore Dollars ("S$"), which is also the presentation currency of the Company.

The consolidated financial statements are approved by the Board on 13 March 2019.

2 GROUP REORGANISATION AND BASIS OF PREPARATION

Before the completion of the reorganisation as mentioned below (the "Reorganisation"), G-Tech Metal Pte Ltd ("G-Tech Metal") is wholly-owned by Mr. Ong, the director and controlling shareholder of the Company.

In preparation of the listing of the Company's shares on GEM of the Stock Exchange (the "Listing"), the companies comprising the Group underwent the Reorganisation as described below.

(i) On 22 December 2016, Broadbville was incorporated in the British Virgin Islands ("BVI") with limited liability and is authorised to issue a maximum of 50,000 shares of a single class, each with a par value of US$1, of which 1 fully paid share had been allotted and issued at par to Mr. Ong on 17 January 2017.

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

2 GROUP REORGANISATION AND BASIS OF PREPARATION *(continued)*

(iii) On 1 February 2017, the Company was incorporated as an exempted company in the Cayman Islands with limited liability and the initial one nil-paid subscriber share was issued to the initial subscriber and transferred to Broadbville at nil-paid on the same day. The authorised share capital of the Company was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each at the time of incorporation.

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

(v) On 21 June 2017, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$50,000,000 divided into 5,000,000,000 shares of HK$0.01 each by the creation of an additional 4,962,000,000 shares.

(vi) On 21 June 2017, in consideration of Broadbville transferring the entire issued share capital of Chirton Investments to the Company, the Company allotted and issued 9,999 new shares, credited as fully paid, to Broadbville. After completion of the above transaction, G-Tech Metal became an indirectly wholly-owned subsidiary of the Company.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared to include the financial statements of the companies now comprising the Group as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the two years ended 31 December 2018, or since their respective dates of incorporation, whichever is a shorter period.

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amended IFRSs that are effective for the current year

At the date of this report, the Group has applied the following new and amendments to IFRSs and Interpretations that have been issued for the first time in current year:

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 40	*Transfers of Investment Property*

The application of the new and amendments to IFRSs and Interpretations in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements, except as noted below.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2018

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

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

For the purpose of preparing and presenting the consolidated financial statements for the year ended 31 December 2018, the Group has consistently applied the accounting policies which conform with IFRSs, which are effective for the accounting period beginning on 1 January 2018. Except for the change in classification of retention sum from trade receivables under IAS 11 to contract assets under IFRS 15, the application of IFRS 15 on 1 January 2018 has no impact on the timings and amounts of revenue recognised in the respective reporting periods. The accounting policies for contract revenue recognition under IFRS 15 are set out in Note 4 below. The amount of adjustment for each financial statement line item affected by the application of IFRS 15 is illustrated below.

Impact on assets, liabilities and equity as at 1 January 2017

	As previously reported S$	IFRS 15 adjustments S$	As restated S$
Trade receivables	9,155,811	(2,926,406)	6,229,405
Contract assets	—	4,233,068	4,233,068
Amount due from customers for construction work	1,306,662	(1,306,662)	—
Amount due to customers for construction work	(138,138)	138,138	—
Contract liabilities	—	(138,138)	(138,138)
Total effect on net assets		—	

Impact on assets, liabilities and equity as at 31 December 2017

	As previously reported S$	IFRS 15 adjustments S$	As restated S$
Trade receivables	16,607,505	(4,028,837)	12,578,668
Contract assets	—	9,162,320	9,162,320
Amount due from customers for construction work	5,133,483	(5,133,483)	—
Amount due to customers for construction work	(770,810)	770,810	—
Contract liabilities	—	(770,810)	(770,810)
Total effect on net assets		—	

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

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

Impact on consolidated cash flow as at 31 December 2017

	As previously reported S$	IFRS 15 adjustments S$	As restated S$
Trade receivables	(7,451,694)	1,102,431	(6,349,263)
Contract assets	—	(4,929,252)	(4,929,252)
Amount due from customers for construction work	(3,826,821)	3,826,821	—
Amount due to customers for construction work	632,672	(632,672)	—
Contract liabilities	—	632,672	632,672
Net effect on cash used in operating activities		—	

The Group has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5(a), and (b), or for modified contracts in IFRS 15:C5(c) but using the expedient in IFRS 15:C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 January 2018.

The Group applied IFRS 9 with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39 as permitted under IFRS 9 transitional provision. The application of IFRS 9 on 1 January 2018 has no impact on the financial position of the Group with regard to classification and measurement of financial instruments nor has any material additional impairment been recognised upon application of expected loss approach as at same date. The accounting policies for financial instruments under IFRS 9 are set out in Note 4 below.

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

New and revised IFRSs in issue but not yet effective

At the date of this report, the Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 & IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.

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

3 Effective for annual periods beginning on or after 1 January 2021.

4 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.

5 Effective for annual periods beginning on or after 1 January 2020.

The directors of the Company consider that the application of the other new and amendments to IFRSs is unlikely to have a material impact on the Group's financial position and performance as well as disclosure, except as noted below:

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirement of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short term leases and leases of low value assets.

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

IFRS 16 *Leases* *(continued)*

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the leases payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of leases modifications, among others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the IFRS 16 lease payments in relation to lease liability will be allocated into a principal and interest portion which will be presented as financing cash flows.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of S$404,700, as disclosed in Note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

4 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2018

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Merger accounting for business combination involving entities under common control (continued)

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses, as appropriate, from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is earlier.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the Group performs;

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

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

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

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Revenue from project works is described in the accounting policy on construction contracts below.

Interest income from a financial asset is accrued on a time basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income is recognised, on a straight-line basis, over the terms of the respective leases.

Construction contracts

Revenue from project works is recognised over time during the course of construction by reference to the progress towards complete satisfaction at the end of the reporting period. Progress towards complete satisfaction is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation (i.e. contract costs incurred for work performed to date) relative to the total expected inputs to the satisfaction of that performance obligation (i.e. total estimated contract cost), that best depict the Group's performance in transferring control of goods or services.

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Construction contracts *(continued)*

The contract assets on construction contracts represent the Group's right to consideration for work completed and not billed as the rights are conditioned on the Group's future performance in satisfying the respective performance obligations.

The contract liabilities on construction contracts represent the Group's obligation to transfer project works to customers for which the Group has received consideration from the customers.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the period in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates or joint ventures.

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Singapore dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchanges differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments made to Central Provident Fund ("CPF") are recognised as expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Short-term and other long-term employee benefits *(continued)*

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurement are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

Depreciation is recognised so as to write off the cost of investment properties less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Financial instruments

Initial recognition under IAS 39 and IFRS 9

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributed to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Before the adoption of IFRS 9 on 1 January 2018

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Classification of financial assets

Financial assets are classified into "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, bank balances and cash, amounts due from a director and related parties) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2018

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis.

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets held by the Group, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed for subsequent periods.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

Impairment loss on financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities

Classification of financial liabilities and equity instruments

Financial liabilities (including trade and other payables, amounts due to a director and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group companies after deducting all of its liabilities. Equity instruments issued by the group companies are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payment (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2018

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred financial asset, the Group continues to recognise to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

After the application of IFRS 9

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition *(continued)*

Classification of financial assets (continued)

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss ("FVTPL").

Financial assets at amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. All recognised financial assets of the Group that are within the scope of IFRS 9 (including trade receivables, other receivables, bank balances and cash) are subsequently measured at amortised costs.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables, bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition *(continued)*

Impairment of financial assets (continued)

The Group always recognises lifetime ECL for trade receivables and contract assets and measures the lifetime ECL for portfolios of trade receivables and contract assets that share similar economic risk characteristics. The ECL on these financial assets are estimated using an analysis of assets by risk level of customers and apply a probability-weighted estimate of the credit losses within the relevant risk type. The probability-weighted estimate of the credit losses is determined based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from financial analysts and governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition *(continued)*

(i) Significant increase in credit risk (continued)

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default (i.e. no default history); ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition *(continued)*

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are past due over two years, whichever is earlier. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition *(continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2018

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition *(continued)*

Financial liabilities and equity

Classification of financial liabilities and equity instruments

Financial liabilities and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not i) contingent consideration of an acquirer in a business combination; ii) held-for-trading; or iii) designated measured as at FVTPL, are subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the financial statements when the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they can be allocated to the smallest group of cash-generating units for which is reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Revenue recognition of construction contracts

The Group recognises contract revenue and profit of a construction contract during the course of construction by reference to the progress towards complete satisfaction at the end of the reporting period. Progress towards complete satisfaction is measured based on input method. Estimated construction revenue is determined with reference to the terms of the relevant contracts. Contract costs which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major subcontractors or suppliers involved and the experience of the management. Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

Management reviews the construction contracts for foreseeable losses whenever there is an indication that the estimated contract revenue is lower than the estimated total contract costs. The actual outcomes in terms of total contract costs or contract revenue may be higher or lower than estimated at the end of each of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

The carrying amounts of contract assets and current liabilities arising from construction contracts are disclosed in Note 17 to the financial statements.

Estimated impairment of trade receivables and contract assets

Prior to 1 January 2018, Management assesses at the end of each reporting period whether there is any objective evidence that trade receivables are impaired. If there is objective evidence that an impairment loss on trade receivables has been incurred, the amount of loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, including unbilled revenue where the actual collection of receivables upon billing to customers are less than expected, an impairment may arise. During the year ended 31 December 2017, no loss allowance was recomputed. The carrying amounts of the trade receivables are disclosed in Note 16 to the financial statements.

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Estimated impairment of trade receivables and contract assets *(continued)*

Starting from 1 January 2018, the Group recognises lifetime ECL for trade receivables and contract assets, using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise. The carrying amounts of trade receivables and contract assets are disclosed in Notes 16 and 17 to the financial statements respectively.

6 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 described in Note 4. 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	
	2018	2017
	S$	S$
Revenue from:		
Provision of structural steelworks services	**50,117,397**	27,890,048
	50,117,397	27,890,048

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2018

6 REVENUE AND SEGMENT INFORMATION *(continued)*

Major customers

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

	Year ended 31 December	
	2018	2017
	S$	S$
Customer I	**41,481,458**	N/A*
Customer II	**N/A***	5,827,650
Customer III	**N/A***	4,740,509
Customer IV	**N/A***	4,694,203
Customer V	**N/A***	3,407,243

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

As permitted under the transitional provisions in IFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2017 is not disclosed.

	Year ended 31 December
	2018
	S$
Provision of structural steelworks services	**33,430,500**
	33,430,500

Management expects that 100% of the transaction price allocated to the unsatisfied contracts as of 31 December 2018 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	
	2018	2017
	S$	S$
Singapore	**48,369,824**	27,687,479
Malaysia	**1,747,573**	202,569
	50,117,397	27,890,048

7 A. OTHER INCOME

	2018 S$	2017 S$
Insurance claim receipt	**22,434**	21,776
Government grants	**56,653**	88,529
Rental income	**125,501**	122,590
Sundry income	**12,274**	49,008
	216,862	281,903

B. OTHER (LOSSES) GAINS

	Year ended 31 December	
	2018 S$	2017 S$
(Loss) Gain on disposal of property, plant and equipment	**(510)**	39,359

C. OTHER EXPENSES

	Year ended 31 December	
	2018 S$	2017 S$
Listing expenses	**—**	3,879,260
	—	3,879,260

8 FINANCE COSTS

	Year ended 31 December	
	2018 S$	2017 S$
Interest on:		
Bank borrowings		
— wholly repayable within five years	**123,103**	67,816
— not wholly repayable within five years	**33,365**	37,439
Finance leases	**18,681**	37,751
	175,149	143,006

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2018

9 INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	S$	S$
Tax expense comprises:		
Current tax		
— Singapore corporate income tax ("CIT")	**1,477,286**	752,845
— Under (Over) provision in prior years	**5,594**	(2,334)
Deferred tax expense (Note 24)		
— Current year	**56**	5,160
	1,482,936	755,671

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

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

	Year ended 31 December	
	2018	2017
	S$	S$
Profit before taxation	**8,025,436**	344,477
Tax at applicable tax rate of 17%	**1,364,324**	58,561
Tax effect of expenses not deductible for tax purpose	**137,602**	757,154
Tax effect of income not taxable for tax purpose	**(4,085)**	(6,477)
Effect of tax concessions (Note a)	**(57,046)**	(54,344)
Effect of different tax rates of subsidiary operating in other jurisdictions	**30,788**	1,889
Under (Over) provision of current tax in prior years	**5,594**	(2,334)
Others	**5,759**	1,222
Taxation for the year	**1,482,936**	755,671

Note:

a. Tax concession pertains to incentive schemes given by the Singapore tax authority. One of the major tax concession is Productivity and Innovation Credit ("PIC") Scheme. Under the PIC Scheme, the Group enjoys 400% tax deductions for qualifying expenditure incurred from the Years of Assessment 2011 to 2018.

10 PROFIT (LOSS) FOR THE YEAR

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

	Year ended 31 December	
	2018	2017
	S$	S$
Audit fees paid to auditors of the Company:		
— Annual audit fees	**150,000**	120,000
— Audit fees in connection with the listing of the Company	—	161,250
Audit fees paid to member firm of the auditors of the Company:		
— Audit fees in connection with the listing of the Company	—	217,500
Non-audit fees paid to auditors of the Company	—	64,500
Listing expense (Note a)	—	3,879,260
Depreciation of property, plant and equipment		
— Recognised in cost of services	**461,125**	462,059
— Recognised in administrative expenses	**223,205**	316,486
Depreciation of investment properties	**53,267**	53,266
Directors' emoluments (Note 11)	**279,693**	224,481
Other staff costs		
— Salaries and wages	**3,790,778**	3,413,667
— Defined contribution plans	**102,391**	87,161
— Other staff benefits	**100,545**	30,494
Total staff costs	**3,993,714**	3,531,322
Cost of materials recognised as expenses	**14,962,043**	5,330,031
Subcontractor costs recognised as expenses	**16,235,143**	11,142,622

Note:

a. Included in listing expenses are audit and non-audit fees of S$161,250 and S$64,500 paid to auditors of the Company respectively, and audit fees of S$217,500 paid to other member firms of the auditors of the Company.

Included in share issue expenses are audit fees and non-audit fees of S$53,750 and S$21,500 paid to the auditors of the Company, and audit fees of S$72,500 paid to other member firms of the auditors of the Company.

11 DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

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

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

Year ended 31 December 2018

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

Year ended 31 December 2017

	Fees S$	Discretionary bonus S$	Salaries and allowances S$	Contributions to retirement benefit scheme S$	Total S$
Executive Directors					
Mr. Ong Cheng Yew	—	—	120,000	12,240	132,240
Ms. Koh Siew Khing	—	—	72,000	12,240	84,240
Independent Non-Executive Directors					
Mr. Tam Wai Tak Victor	2,667	—	—	—	2,667
Ms. Chooi Pey Nee	2,667	—	—	—	2,667
Mr. Tan Yeok Lim	2,667	—	—	—	2,667
	8,001	—	192,000	24,480	224,481

11 DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS *(continued)*

Directors' and chief executive's emoluments *(continued)*

Notes:

a. Mr. Ong Cheng Yew acts as chairman of the Company with effect from 3 March 2017.

b. Ms. Koh Siew Khing acts as executive director of the Company with effect from 3 March 2017.

c. 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 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 2018 included two (2017: two) directors, details of whose remunerations are set out above. Details of the remuneration for the remaining three (2017: three) highest paid employees who are not directors of the Company are as follows:

	Year ended 31 December	
	2018	2017
	S$	S$
Salaries and allowances	**255,567**	194,327
Discretionary bonus	**—**	56,126
Contributions to retirement benefits scheme	**27,815**	23,613
	283,382	274,066

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2018

11 DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS *(continued)*

Employees' remuneration *(continued)*

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

	Number of Employees Year ended 31 December	
	2018	2017
Emolument bands		
Nil to HK$500,000	**2**	2
HK$500,001 to HK$1,000,000	**3**	3

12 DIVIDEND

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

13 EARNINGS (LOSS) PER SHARE

	Year ended 31 December	
	2018	2017
Profit (Loss) attributable to the owners of the Company (S$)	**6,542,500**	(411,194)
Weighted average number of ordinary shares in issue	**480,000,000**	374,794,521
Basic earnings (loss) per share (S$ cents)	**1.36**	(0.11)

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

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

14 PROPERTY, PLANT AND EQUIPMENT

	Properties erected on leasehold land S$	Motor vehicles S$	Office equipment S$	Plant and machinery S$	Leasehold improvement S$	Total S$
Cost:						
At 1 January 2017	1,500,000	909,670	406,684	1,439,563	732,228	4,988,145
Additions	—	—	30,926	58,919	—	89,845
Disposals/write-offs	—	(263,897)	—	—	—	(263,897)
At 31 December 2017	1,500,000	645,773	437,610	1,498,482	732,228	4,814,093
Additions	—	—	35,300	137,049	11,500	183,849
Disposals/write-offs	—	(31,722)	—	—	—	(31,722)
Exchange difference on translation	—	—	10	—	—	10
At 31 December 2018	1,500,000	614,051	472,920	1,635,531	743,728	4,966,230
Accumulated depreciation:						
At 1 January 2017	625,000	280,644	340,219	795,685	329,053	2,370,601
Charge for the year	250,000	125,485	64,641	212,059	126,360	778,545
Elimination on disposals/write-offs	—	(226,745)	—	—	—	(226,745)
At 31 December 2017	875,000	179,384	404,860	1,007,744	455,413	2,922,401
Charge for the year	250,000	66,816	28,880	211,124	127,510	684,330
Elimination on disposals/write-offs	—	(19,562)	—	—	—	(19,562)
At 31 December 2018	1,125,000	226,638	433,740	1,218,868	582,923	3,587,169
Carrying Amounts:						
At 31 December 2017	625,000	466,389	32,750	490,738	276,815	1,891,692
At 31 December 2018	375,000	387,413	39,180	416,663	160,805	1,379,061

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2018

14 PROPERTY, PLANT AND EQUIPMENT *(continued)*

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:

Properties erected on leasehold land	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

Leased assets are pledged as security for the related finance lease liabilities. The carrying value of below items are assets held under finance leases:

	As at 31 December	
	2018	2017
	S$	S$
Machinery and motor vehicles	**465,463**	585,055

15 INVESTMENT PROPERTIES

	Freehold property S$	Leasehold properties S$	Total S$
Cost:			
At 1 January 2017, 31 December 2017 and 2018	1,581,575	1,427,551	3,009,126
Accumulated depreciation:			
At 1 January 2017	39,539	178,113	217,652
Charge for the year	26,360	26,906	53,266
At 31 December 2017	65,899	205,019	270,918
Charge for the year	26,360	26,907	53,267
At 31 December 2018	92,259	231,926	324,185
Net carrying value:			
At 31 December 2017	1,515,676	1,222,532	2,738,208
At 31 December 2018	1,489,316	1,195,625	2,684,941

15 INVESTMENT PROPERTIES *(continued)*

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 2018, included in the balances are freehold property with carrying value amounting to S$1,489,316 (2017: S$1,515,676). All of the Group's property interests which are freehold or under finance lease, 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 23) as at 31 December 2017 and 2018.

At 31 December 2018, the fair values of the investment properties amounted to S$4,628,547 (2017: S$3,887,758) 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$125,501 (2017: S$122,590). Direct operating expenses arising from the rental-generating investment properties amounted to S$53,267 (2017: S$53,266).

15 INVESTMENT PROPERTIES *(continued)*

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 2017	
421 Tagore Ind. Avenue #02-14, Singapore	2,274,874
No. 18 Sin Ming Lane #07-40 Midview City, Singapore	513,723
No. 18 Sin Ming Lane #07-41 Midview City, Singapore	574,161
No. 21 Woodlands Park E1 #03-05, Singapore	525,000
Total	3,887,758
— As at 31 December 2018	
421 Tagore Ind. Avenue #02-14, Singapore	2,833,563
No. 18 Sin Ming Lane #07-40 Midview City, Singapore	564,984
No. 18 Sin Ming Lane #07-41 Midview City, Singapore	650,000
No. 21 Woodlands Park E1 #03-05, Singapore	580,000
Total	4,628,547

16 TRADE RECEIVABLES

	2018 S$	2017 S$ (Restated)
Trade receivables	**6,368,157**	6,771,113
Unbilled revenue (Note a)	**83,579**	5,807,555
	6,451,736	12,578,668

Note:

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

16 TRADE RECEIVABLES *(continued)*

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	
	2018	2017
	S$	S$
Within 30 days	**515,198**	5,633,919
31 days to 60 days	**2,911,762**	1,091,465
Over 90 days	**2,941,197**	45,729
	6,368,157	6,771,113

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.

Prior to 1 January 2018, the Group recognised the allowance for certain trade receivables which has been past due and considered as doubtful debts or irrecoverable by the management.

Included in the Group's trade receivables as at 31 December 2017 was carrying amounts of approximately S$45,729 which are past due at the end of reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on repayment history of respective customer.

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

	As at 31 December
	2017
	S$
31 days to 60 days	685
61 days to 90 days	—
Over 90 days	45,044
	45,729

There was no allowance for doubtful debts as at 31 December 2017.

16 TRADE RECEIVABLES *(continued)*

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the initial recognition date to the end of each of the reporting period. In the opinion of the directors of the Company, apart from those balances for which allowances have been provided, other trade receivables at the end of each reporting period are of good credit quality which considering the high credibility of these customers, good track record with the Group and subsequent settlement, the management believes that no impairment allowance is necessary in respect of unsettled balances.

Starting from 1 January 2018, the Group applied simplified approach to provide the expected credit losses prescribed by IFRS 9. The impairment methodology is set out in Notes 4 and 33(c) respectively.

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. Details of the credit risk assessment are included in Note 33(c).

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

	As at 31 December 2018 S$
31 days to 60 days	**959,668**
61 days to 90 days	**—**
Over 90 days	**1,967,535**
	2,927,203

The directors of the Company considered that the ECL for trade receivables is insignificant as at 31 December 2018.

17 CONTRACT ASSETS/CONTRACT LIABILITIES

	As at 31 December	
	2018	2017
	S$	S$
		(Restated)
Analysed for reporting purposes as:		
Contract assets	**10,075,674**	9,162,320
Contract liabilities	**—**	(770,810)
	10,075,674	8,391,510

As at 31 December 2018, included in contract assets are retention money held by customers for construction work amounted to S$6,723,387 (2017: S$4,028,837), which were expected to be recovered or settled in more than twelve months from the end of reporting period.

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

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

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

The directors of the Company considered that the ECL for contract assets is insignificant as at 31 December 2018.

18 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018	2017
	S$	S$
Prepayments to sub-contractor (Note a)	**3,308,898**	—
Deposits (Note b)	**173,035**	162,819
Prepayments	**291,389**	75,211
Goods and Service Tax ("GST") receivable	**—**	3,721
	3,773,322	241,751

18 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

Note:

(a) The prepayments to sub-contractors represent down payment for certain projects. Such amounts will be utilised within 12 months after reporting period.

(b) The directors of the Company considered that the ECL on deposits is insignificant as at 31 December 2018.

19 AMOUNT DUE TO A DIRECTOR/ULTIMATE HOLDING COMPANY

a. Amount due to a director

The maximum amount of the balances due to a director during the year ended 31 December 2017 was S$100,994. The amount due to a director has been settled in March 2018.

b. Amount due to ultimate holding company

The maximum amount of the balances due to ultimate holding company during the year ended 31 December 2017 was S$80,526. The amount due to ultimate holding company has been settled in March 2018.

20 BANK BALANCES AND CASH

	As at 31 December	
	2018	2017
	S$	S$
Cash on hand	**1,000**	2,178
Cash at bank	**12,976,713**	11,227,705
Fixed Deposit	**3,985,089**	—
Total bank balances and cash	**16,962,802**	11,229,883

The fixed deposits bear interests at effective interest rates ranging from 1.02% to 2.21% per annum and for a tenure of a year.

The directors of the Company considered that the ECL on bank balances and fixed deposit is insignificant as at 31 December 2018.

21 TRADE AND OTHER PAYABLES

	2018 S$	2017 S$
Trade payables	6,116,715	3,864,170
Trade accruals	—	6,313,062
	6,116,715	10,177,232
GST payables	15,950	35,003
Other payables	1,293,965	1,307,347
Deposits received	16,322	299,534
Provision for unutilised leave	25,731	29,446
Salaries and CPF payables	882,866	463,030
	8,351,549	12,311,592

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	
	2018 S$	2017 S$
Within 30 days	1,543,954	3,350,625
31 to 60 days	2,570,635	221,354
61 days to 90 days	628,695	205,903
Over 90 days	1,373,431	86,288
	6,116,715	3,864,170

Notes to the Consolidated Financial Statements (Continued)

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22 OBLIGATIONS UNDER FINANCE LEASES

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

	Minimum lease payments As at 31 December		Present value of minimum lease payments As at 31 December	
	2018	2017	**2018**	2017
	S$	S$	**S$**	S$
Amounts payable under finance leases:				
Within one year	**152,436**	156,004	**139,823**	137,141
In more than one year but no more than two years	**118,245**	152,437	**111,575**	139,759
In more than two years but no more than five years	**76,394**	191,069	**73,258**	181,511
	347,075	499,510	**324,656**	458,411
Less: Future finance charges	**(22,419)**	(41,099)	**—**	—
Present value of lease obligations	**324,656**	458,411	**324,656**	458,411
Less: Amount due for settlement within one year (shown under current liabilities)			**(139,823)**	(137,141)
Amount due for settlement after one year			**184,833**	321,270

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

	Year ended 31 December	
	2018	2017
Interest rates	**4.79%**	4.70%

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (Note 14).

23 BORROWINGS

	2018 S$	2017 S$
Secured and guaranteed:		
Trade financing (Notes a and d)	**4,289,566**	2,180,882
Revolving credit facility (Notes b and d)	**—**	750,000
Bank loans (Notes c and d)	**1,310,248**	1,408,419
	5,599,814	4,339,301
Analysed as:		
Carrying amount repayable within one year	**4,388,533**	3,029,919
Carrying amount repayable more than one year, but not exceeding two years	**100,374**	100,289
Carrying amount repayable more than two years, but not more than five years	**259,553**	308,821
Carrying amount repayable more than five years	**851,354**	900,272
	5,599,814	4,339,301
Less: Amount due within one year shown under current liabilities	**(4,388,533)**	(3,029,919)
Amount shown under non-current liabilities	**1,211,281**	1,309,382

a. As at 31 December 2018, trade financing bears a floating interest rate at 1.65% to 2.00% above the bank's cost of funds per annum (2017: 1.65% to 2.75% above the bank's cost of funds per annum).

b. As at 31 December 2017, revolving credit facility bore a floating interest rate at 1.8% above the bank's cost of funds per annum.

c. As at 31 December 2018, the bank loans are secured by first legal charge and the pledge over the Group's investment properties (Note 15), and the bank loans bear floating interest rates with weighted average effective interest rate at 3.55% (2017: 3.24%) per annum. The amounts are repayable at the dates ranging from 2019 to 2037 and from 2018 to 2037 as at 31 December 2018 and 2017 respectively.

d. As at 31 December 2018 and 2017, the Group's borrowings are secured by corporate guarantee issued by the Company.

24 DEFERRED TAX LIABILITIES

	2018 S$	2017 S$
As at 1 January	71,575	66,415
Recognised in profit or loss during the year:		
— Accelerated tax depreciation	56	5,160
As at 31 December	71,631	71,575

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.

25 SHARE CAPITAL

For the purpose of presenting the share capital of the Group prior to the Reorganisation in the consolidated statement of financial position, the balances as at 1 January 2016 represented the share capital of G-Tech Metal Pte Ltd as the Company was incorporated in Cayman Islands on 1 February 2017. As at the date of incorporation, the Company had an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each.

The Company was successfully listed on the GEM of the Stock Exchange on 17 November 2017 by way of placing of 108,000,000 ordinary shares and public offer of 12,000,000 ordinary shares at the price of HK$0.54 per share ("Share Offer").

	Number of shares	Par value HK$	Share capital HK$
Authorised share capital of the Company:			
At date of incorporation on 1 February 2017 (Note a)	38,000,000	0.01	380,000
Increase on 21 June 2017 (Note c)	4,962,000,000	0.01	49,620,000
At 31 December 2017 and 31 December 2018	5,000,000,000	0.01	50,000,000

25 SHARE CAPITAL *(continued)*

	Number of shares	Share capital S$
Issued and fully paid of G-Tech Metal		
At 1 January 2017	3,000,000	3,000,000
Issued and fully paid of the Company:		
At date of incorporation on 1 February 2017 (Note a)	1	—
Issue of shares pursuant to the Reorganisation (Note b)	9,999	17
Issue of shares under the capitalisation issue (Note d)	359,990,000	620,672
Issue of shares under the Share Offer (Note e)	120,000,000	206,897
At 31 December 2017 and 31 December 2018	480,000,000	827,586

Notes:

a. On 1 February 2017, the Company was incorporated as an exempted company in the Cayman Islands with limited liability and the initial one nil-paid subscriber share was issued to the initial subscriber and transferred to Broadbville at nil-paid on the same day. The authorised share capital of the Company was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each at the time of incorporation.

b. On 22 December 2016, Broadbville Limited ("Broadbville", the Company's holding company which is not forming part of the Group) was incorporated in the British Virgin Islands ("BVI") with limited liability and is authorised to issue a maximum of 50,000 shares of a single class, each with a par value of US$1, of which 1 fully paid share had been allotted and issued at par to Mr. Ong Cheng Yew on 17 January 2017.

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

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

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

c. Pursuant to written resolutions passed on 21 June 2017, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 share of HK$0.01 each to HK$50,000,000 divided into 5,000,000,000 shares of HK$0.01 each by the creation of an additional 4,962,000,000 shares.

25 SHARE CAPITAL *(continued)*

Notes: *(continued)*

d. Pursuant to written resolutions passed on 2 November 2017, conditional upon the share premium account of the Company being credited as a result of the Share Offer, an amount of HK$3,599,900 (equivalent to approximately S$620,672) which will then be standing to the credit of the share premium account of the Company be capitalised and applied to pay up in full at par 359,990,000 shares for allotment and issue to the sole shareholder whose name appeared on the register of members of the Company at the close of business on 2 November 2017.

e. The Company successfully listed on the GEM of the Stock Exchange on 17 November 2017 by way of placing of 108,000,000 ordinary shares and public offer of 12,000,000 ordinary shares at the price of HK$0.54 per share, with a total gross proceeds of HK$64.8 million (equivalent to approximately S$11.17 million). The Company's share of net proceeds after deducting the underwriting commissions and estimated expenses paid or payable by the Company in relation to the Share Offer amounted to approximately HK$56.2 million (equivalent to approximately S$9.68 million).

26 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 2018 and 2017, no share options has been granted nor exercised and there is no outstanding share options of the Company as at 31 December 2018 and 2017.

27 OPERATING LEASE COMMITMENTS

The Group as lessee

	Year ended 31 December	
	2018	2017
	S$	S$
Minimum lease payments under operating leases in respect of factory and office premises	**360,792**	366,192

As at 31 December 2018 and 2017, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	As at 31 December	
	2018	2017
	S$	S$
Within one year	**292,548**	360,792
In the second to fifth year inclusive	**112,152**	404,700
	404,700	765,492

The leases have tenures ranging from 1 year to 2 years (2017: 1 to 2 years) tenures and no contingent rent provision included in the contracts.

The Group as lessor

	Year ended 31 December	
	2018	2017
	S$	S$
Rental income	**125,501**	122,590

27 OPERATING LEASE COMMITMENTS *(continued)*

As at 31 December 2018 and 2017, the Group has contracted with tenants for the following future minimum lease receipts:

	As at 31 December	
	2018	2017
	S$	S$
Within one year	**113,316**	94,396
In the second to fifth year inclusive	**42,827**	73,890
	156,143	168,286

28 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 2018, 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$121,148 (2017: S$111,641) for the year ended 31 December 2018, represent contributions paid to the retirement benefits plan by the Group.

As at 31 December 2018, the CPF contribution payables amounted to S$11,776 (2017: S$17,973) which were paid subsequent to the end of the respective years.

29 RELATED PARTY TRANSACTIONS

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

	Year ended 31 December	
	2018	2017
	S$	S$
Broadbville Limited		
Purchase of investment in subsidiary, G Tech Structures Sdn Bhd (Note 35)	**—**	80,526

29 RELATED PARTY TRANSACTIONS *(continued)*

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

	Year ended 31 December	
	2018	2017
	S$	S$
Short term benefits	**457,302**	421,509
Post-employment benefits	**43,170**	43,170
	500,472	464,679

30 PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company as at 31 December 2018 are set out below.

Name	**Place of incorporation/ operations**	**Paid up issued capital**	**Proportion of ownership interest/voting power held**		**Principal activities**
			2018	2017	
Directly held:					
Chirton Investments	British Virgin Islands	US$1	**100%**	100%	Investment holding
Indirectly held:					
G-Tech Metal Pte Ltd	Singapore	S$3,000,000	**100%**	100%	Provision of structural steelwork services
G Tech Structures Sdn Bhd (Note a)	Malaysia	RM250,000	**100%**	100%	Provision of structural steelwork services

Note:

a. The subsidiary was acquired from the ultimate holding company in 2017 (Note 35).

There were no significant restrictions on the Company or its subsidiary's ability to assess or use the assets and settle the liabilities of the Group.

None of the subsidiaries had issued any debt securities at the end of the year.

Notes to the Consolidated Financial Statements (Continued)

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31 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	As at 31 December	
	2018	2017
	S$	S$
ASSETS AND LIABILITIES		
Non-current asset		
Investment in a subsidiary	**17**	17
Current assets		
Bank balances and cash	**6,502,899**	8,963,179
Amount due from G-Tech Metal	**1,648,420**	—
Other receivables	**109,146**	—
	8,260,465	8,963,179
Current liabilities		
Other payables	**134,396**	57,376
Amount due to G-Tech Metal	**2,872,183**	3,359,365
	3,006,579	3,416,741
Net current assets	**5,253,886**	5,546,438
Total assets less current liabilities, representing net assets	**5,253,903**	5,546,455
EQUITY		
Capital and reserves		
Share capital	**827,586**	827,586
Reserves	**4,426,317**	4,718,869
Equity attributable to owners of the Company	**5,253,903**	5,546,455

31 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

A summary of the Company's reserves is as follows:

	Share Premium S$	Accumulated deficit S$	Total S$
At 1 February 2017 (date of incorporation)	—	—	—
Total comprehensive expense for the year:			
Loss for the year	—	(3,894,192)	(3,894,192)
Transactions with owner, recognised directly in equity:			
Issue of shares under the capitalisation issue	(620,672)	—	(620,672)
Issue of shares under the Share Offer	10,965,517	—	10,965,517
Share issue expenses	(1,731,784)	—	(1,731,784)
Total	8,613,061	(3,894,192)	4,718,869
At 31 December 2017	8,613,061	(3,894,192)	4,718,869
Total comprehensive expense for the year:			
Loss for the year	—	(292,552)	(292,552)
At 31 December 2018	8,613,061	(4,186,744)	(4,426,317)

32 CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes obligations under finance leases and borrowings as disclosed in Notes 22 and 23 respectively, net of bank balances and cash and equity attributable to owners of the Company, comprising share capital, share premium, merger reserve and accumulated profits.

The directors of the Company review the capital structure from time to time. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations by the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares and new debts.

Management regularly monitors compliance with the financial covenants imposed by financial institutions for the facilities granted to the Group. As at the end of the reporting period, the Group is in compliance with externally imposed financial covenants requirements.

Notes to the Consolidated Financial Statements (Continued)

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33 FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group	As at 31 December	
	2018	2017
	S$	S$
		(Restated)
Financial assets		
— Amortised cost (2017: Loans and receivables)		
Trade receivables	**6,451,736**	12,578,668
Contract assets	**6,723,387**	4,028,837
Deposits	**173,035**	162,819
Bank balances and cash	**16,962,802**	11,229,883
Total	**30,310,960**	28,000,207
Financial liabilities		
— Amortised cost		
Trade and other payables	**8,335,599**	12,311,592
Amount due to ultimate holding company	**—**	80,526
Amount due to a director	**—**	100,994
Obligations under finance leases	**324,656**	458,411
Borrowings	**5,599,814**	4,339,301
Total	**14,260,069**	17,290,824

* *Prepayments, GST receivables and GST payables are excluded*

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from/to related parties, bank balances and cash, trade and other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

33 FINANCIAL INSTRUMENTS *(continued)*

(a) Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate of interest earned on bank balances, and variable rate of interest incurred on borrowings. The Group is also exposed to fair value interest rate risk in relation to fixed-rate finance leases. It is the Group's policy to maintain an appropriate level between its fixed-rate and variable-rate borrowings so as to minimise the fair value and cash flow interest rate risk.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. The following sensitivity analysis represents management's assessment of the reasonably possible change in interest rates.

Variable-rate borrowings

If interest rates of the variable-rate borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended 31 December 2018 would decrease/increase by approximately S$27,999 (2017: S$21,696).

Notes to the Consolidated Financial Statements (Continued)

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33 FINANCIAL INSTRUMENTS *(continued)*

(b) Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign currency risk arises when transactions are denominated in currencies other than the respective functional currencies of group entities, namely Singapore dollar and Malaysia ringgit.

At the end of the reporting period, the Group is exposed to foreign currency movements in the Hong Kong dollar. At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the functional currencies of each group entity are as follows:

	Liabilities		**Assets**	
	2018	2017	**2018**	2017
	S$	S$	**S$**	S$
Hong Kong Dollar	**(134,396)**	(345,199)	**6,612,045**	8,963,179

Sensitivity analysis for foreign currency risk

A 5% strengthening/weakening of the Hong Kong dollar (HK$) against the respective functional currencies of the group entities as at 31 December 2018 would have increased (decreased) equity and profit before tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit before tax increase/ (decrease)	
	2018	2017
	S$	S$
HK$ against S$		
— strengthened	**323,882**	430,899
— weakened	**(323,882)**	(430,899)

In the management's opinion, the sensitivity analysis above is unrepresentative for the currency risk as the exposure at the end of reporting period does not reflect the exposure during the year.

The Group monitors foreign currency exposure and will consider hedging significant currency exposure should the need arise.

33 FINANCIAL INSTRUMENTS *(continued)*

(c) Credit risk

Before adoption of IFRS 9 as at 1 January 2018

The Group's concentration of credit risk by geographical locations is mainly in Singapore, which accounted for 99.9% of the total financial assets as at 31 December 2017.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group carries out research on the credit risk of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed when necessary.

In addition, the Group reviews the recoverable amount of each individual trade debt, at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, directors of the Company considers that the Group's credit risk is significantly reduced.

Approximately 83% of total trade receivables outstanding at 31 December 2017 were due from top 5 customers which exposed the Group to concentration of credit risk.

Those five largest customers are with good creditworthiness based on historical settlement record. In order to minimise the concentration of credit risk, the directors of the Company has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. The management also performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company considers that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on bank deposits and balances placed in 6 banks in which the counterparties are financially sound and on trade receivables from top 5 customers, the Group has no other significant concentration of credit risk on other receivables, with exposure spread over a number of counterparties.

After adoption of IFRS 9 as at 1 January 2018

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group is exposed to concentration of credit risk at 31 December 2018 on trade receivables from the Group's top five major customers accounted for 71% of the Group's total trade receivables. The major customers of the Group are certain reputable organisations.

33 FINANCIAL INSTRUMENTS *(continued)*

(c) Credit risk *(continued)*

After adoption of IFRS 9 as at 1 January 2018 (continued)

In order to minimise credit risk, the directors of the Company have delegated its finance team to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The finance team uses publicly available financial information and the Group's own historical repayment records to rate its major customers and debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL-not credit-impaired
In default	There is evidence indicating the asset is credit impaired	Lifetime ECL-credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

For trade receivables, deposits and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The directors of the Company considered that the ECL for trade receivables is insignificant as at 31 December 2018.

Other than concentration of credit risk on bank deposits and balances placed in 6 banks in which the counterparties are financially sound and on trade receivables from top 5 customers, the Group has no other significant concentration of credit risk on other receivables, with exposure spread over a number of counterparties.

33 FINANCIAL INSTRUMENTS *(continued)*

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial obligations as and when they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors of the Company to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Non-derivative financial assets

At the end of reporting period, all financial assets of the Group are repayable on demand or due within their operating cycle, and are non-interest bearing except for bank balances and fixed deposits as set out in Note 20 to the financial statements.

Non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the relevant market rates as at the reporting date) of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows, where applicable.

	Weighted average interest rate %	On demand or within 3 months S$	3 to 6 months S$	6 to 12 months S$	1 to 5 years S$	Over 5 years S$	Total Undiscounted cash flow S$	Carrying amount S$
As at 31 December 2018								
Non-interest bearing								
Trade payables and other payables	—	8,335,599	—	—	—	—	8,335,599	8,335,599
Interest bearing instruments								
Finance leases (Fixed rate)	4.79	38,109	38,109	76,218	194,639	—	347,075	324,656
Trade financing — secured and guaranteed (Note 23)	2.88	4,299,838	—	—	—	—	4,299,838	4,289,566
Bank loans — secured and guaranteed (Note 23)	3.55	35,310	35,195	70,832	499,094	1,078,491	1,718,922	1,310,248
Total		12,708,856	73,304	147,050	693,733	1,078,491	14,701,434	14,260,069
As at 31 December 2017								
Non-interest bearing								
Trade payables and other payables	—	12,311,592	—	—	—	—	12,311,592	12,311,592
Amount due to ultimate holding company	—	80,526	—	—	—	—	80,526	80,526
Amount due to a director	—	100,994	—	—	—	—	100,994	100,994
Interest bearing instruments								
Finance leases (Fixed rate)	4.70	39,001	39,001	78,002	343,506	—	499,510	458,411
Trade financing — secured and guaranteed (Note 23)	3.72	1,490,472	704,889	—	—	—	2,195,361	2,180,882
Revolving credit facility — secured and guaranteed (Note 23)	2.60	753,205	—	—	—	—	753,205	750,000
Bank loans — secured and guaranteed (Note 23)	2.84	34,586	34,488	68,681	535,324	1,098,391	1,771,470	1,408,419
Total		14,810,376	778,378	146,683	878,830	1,098,391	17,712,658	17,290,824

33 FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

34 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Borrowings S$	Obligations under finance leases S$	Amount due to a director S$	Amount due to ultimate holding company S$	Total S$
At 1 January 2017	3,190,112	598,743	—	—	3,788,855
Financing cash flows	1,055,958	(178,083)	135,408	—	1,013,283
Interest paid	93,231	37,751	—	—	130,982
Non-cash changes					
Acquisition of a subsidiary	—	—	(34,414)	80,526	46,112
At 31 December 2017	4,339,301	458,411	100,994	80,526	4,979,232

There are non-cash changes arising from financing activities for the year ended 31 December 2018.

35 ACQUISITION OF A SUBSIDIARY

On 11 October 2017, the Company's ultimate holding company, Broadbville Limited ("Broadbville"), acquired 100% equity interest in G Tech Structures Sdn. Bhd. ("GTS") for consideration of RM250,000 (approximately S$80,526).

On 28 December 2017, Broadbville transferred 100% equity interest in GTS to the Company for a consideration of RM250,000 (approximately S$80,526). This transaction has been accounted for by merger accounting as GTS and the Company are under common control. GTS is an entity incorporated in Malaysia with its principal activity of provision structural steelwork services.

35 ACQUISITION OF A SUBSIDIARY *(continued)*

The Group acquired GTS with an intention to gain access to the Malaysian market.

(a) Consideration transferred (at acquisition date fair values)

	S$
Cash	—
Amount due to ultimate holding company (Note 19b)	80,526
Total	80,526

(b) Assets acquired and liabilities assumed at the date of acquisition

	S$
Current assets	
Bank balances and cash	46,112
Amount due from a director	34,414
Assets acquired	80,526

(c) Merger reserve arising on acquisition

	S$
Consideration transferred	80,526
Less: Fair value of identifiable net assets acquired	(80,526)
Merger reserve arising on acquisition	—

(d) Net cash inflow on acquisition of subsidiary

	S$
Consideration paid in cash	—
Less: Bank balances and cash acquired	46,112
	46,112

(e) Impact of acquisitions on the results of the Group

Included in the profit for the year is S$26,988 attributable to the additional business generated by GTS. Revenue for the year amounted to S$202,569. There would not be any significant change on these contributions to the Group's profit and revenue had the business combination during the period been effective at 1 January 2017.

Summary of Financial Information

	2018 S$	2017 S$	2016 S$	2015 S$
RESULTS				
Revenue	50,117,397	27,890,048	22,003,922	35,968,343
Cost of services	(37,898,474)	(20,836,596)	(15,684,125)	(29,689,389)
Gross profit	12,218,923	7,053,452	6,319,797	6,278,954
Other income	216,862	281,903	298,202	407,579
Other (loss) gains	(510)	39,359	24,515	12,458
Selling expenses	(377,869)	(173,856)	(212,213)	(309,877)
Administrative expenses	(3,856,821)	(2,834,115)	(2,893,379)	(3,097,278)
Other expenses	—	(3,879,260)	(14,890)	(251,500)
Finance costs	(175,149)	(143,006)	(124,691)	(74,086)
Profit before taxation	8,025,436	344,477	3,397,341	2,966,250
Income tax expense	(1,482,936)	(755,671)	(163,321)	(90,469)
Profit (Loss) for the year	6,542,500	(411,194)	3,234,020	2,875,781
Other comprehensive expense for the year	(2,441)	—	—	—
	6,540,059	(411,194)	3,234,020	2,875,781
ASSETS AND LIABILITIES				
Non-current assets	4,064,002	4,629,900	5,409,018	5,867,521
Current assets	37,263,534	33,212,622	11,559,799	15,273,414
Current liabilities	14,363,264	17,183,827	5,078,702	12,236,653
Net current assets	22,900,270	16,028,795	6,481,097	3,036,761
Non-current liabilities	1,467,745	1,702,227	1,963,083	2,211,270
Net assets	25,496,527	18,956,468	9,927,032	6,693,012