GT STEEL Construction Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8402

Annual Report

2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

This 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 2610, 26/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
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

Maybank Singapore Limited
2 Venture Drive #18–01
Vision Exchange
Singapore 608526

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 2019.

PERFORMANCE

For the year ended 31 December 2019, the Group recorded a 1.5% increase in revenue from approximately S$50,117,000 in 2018 to S$50,852,000 in 2019. The profit after tax of the Group were approximately S$6,543,000 and S$6,143,000 (exclusive of expenses in relation to the Proposed Transfer of approximately S$815,000) for two years ended 31 December 2019 respectively.

LISTING ON GEM OF THE STOCK EXCHANGE

The Group has been continuously developed after we were successfully listed on GEM on 17 November 2017 (the "Listing Date"), representing a major milestone for the Group.

OUTLOOK

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

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

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

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

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

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,
24 March 2020

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue and Results

For the year ended 31 December 2019, the Group recorded revenue of approximately S$50,852,000 (2018: approximately S$50,117,000).

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

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

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

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

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

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

Liquidity and Financial Resources

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

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

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

The gearing ratio is calculated based on the total borrowings divided by the total equity as the respective periods end. The Group's gearing ratio was approximately 12.4% (2018: approximately 23.2%).

Foreign Exchange Exposure

The Group transacts mainly in Singapore dollars, which is the functional currency of the Group. However, the Group retains the proceeds from the listing of the Company on GEM of the Stock Exchange on 17 November 2017 by way of share offer in Hong Kong dollars, which exposed the Group to foreign exchange risk arising from the fluctuations of exchange rate for Hong Kong dollars against Singapore dollars. The Group does not have a foreign currency hedging policy but it continuously monitors its foreign exchange exposure and will apply appropriate measures if necessary.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

On 5 September 2019, the Group acquired the entire issued shares in Kay Huat Trading Company Private Limited ("KHT") at a consideration of S$3,500,000 (the "Acquisition"). This transaction has been accounted for as an asset acquisition.

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

During the year, there was no significant investments held by the Group and the Group did not have other plans for material investments and capital assets.

Charges on Group's Assets

The Group has total present value of lease obligations under finance lease, which are secured by the relevant leased machinery and motor vehicles amounting to approximately S$378,000 (2018: approximately S$465,000).

Contingent Liabilities

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

Capital Commitments

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

Employee Information

As at 31 December 2019, the Group had an aggregate of 141 (2018: 146) employees.

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

Total staff costs, including Directors' emoluments, amounted to approximately S$4,658,000 and S$4,273,000 for the years ended 31 December 2019 and 2018 respectively.

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as set out in the prospectus of the Company dated 30 October 2017 (the "Prospectus") with the Group's actual business progress from 17 November 2017, being the date of listing (the "Listing") of the Company's issued shares on GEM of the Stock Exchange, to 31 December 2019 is set out below:

Business Strategies	Actual business progress up to 31 December 2019
— Purchase of new fabrication	— The Group has fully utilised approximately HK$20.4 million for purchase of new fabrication facility
— Expand our workforce to support our business expansion	— The Group has fully utilised approximately HK$0.8 million for the expansion of workforce in 2018 to support business expansion
— Purchase of machineries for new fabrication facility	— The Group has utilised approximately HK$0.1 million as downpayment for the purchase of machinery for the Leased Property. The remaining amount of approximately HK$14.6 million is expected to be utilised by the second quarter of 2020

Use of Proceeds from the Share Offer

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

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

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

Notes:

(1) The actual amounts allocated have been adjusted to reflect the percentage of the net proceeds actually received pursuant to the Listing.

(2) As stated in the Prospectus, the Group intended to utilise the proceeds from the Listing to purchase a new fabrication facility by 30 June 2018. However, the Group only identified the Leased Property in the first quarter of 2019 after searching for suitable properties within the vicinity and engaging in negotiations with potential sellers. As at 31 December 2019, the Group has utilised the net proceeds raised as deposit and payment of remaining purchase consideration after the execution of the share purchase agreement for the Acquisition.

(3) Such amount was utilised as down payment for the purchase of machinery for the Leased Property. The remaining amount is expected to be utilised by the second quarter of 2020.

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

As at the date of this 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$50,852,000 and S$50,117,000 for the years ended 31 December 2019 and 2018 respectively.

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

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

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

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

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

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

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

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

PROSPECT

Overall performance in 2019

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

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

Economic outlook for 2020

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

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

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

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

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

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Ong Cheng Yew, aged 51, 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 49, 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 of the Company. 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 42, 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 of the Company. 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.

Ms. Chooi Pey Nee, aged 52, was appointed as our independent non-executive Director on 21 June 2017. She is currently the chairwoman of the remuneration committee of the Company and a member of the audit and nomination committees of the Company. 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. Ms. Chooi is also currently a non-executive director of TBK & Sons Holdings Limited (stock code: 1960), the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Tan Yeok Lim, aged 48, was appointed as our independent non-executive Director on 21 June 2017. He is currently the chairman of the nomination committee of the Company and a member of the audit and remuneration committee of the Company. 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 50, 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.

COMPANY SECRETARY

Mr. Chan Hank Daniel, aged 45, 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 Kirin Group Holdings Limited (stock code: 8109) since 1 January 2020. 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 12 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 year ended 31 December 2019. Details of the Group's corporate governance practices adopted by the Board are set out in the Corporate Governance Report on pages 14 to 24 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 2019.

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.

The Audit Committee serves and fulfills its duties as the Corporate Governance function of the Company in accordance with the updated terms of reference dated on 1 January 2019.

During the year ended 31 December 2019, the Audit Committee held four 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 (the "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. 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 2019, the Remuneration Committee held one 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 (the "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. 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 2019, the Nomination Committee held one 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 2019 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 2019, 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 2019.

AUDITOR'S REMUNERATION

The remuneration paid/payable to the Company's external auditor, Deloitte & Touche LLP, for the year ended 31 December 2019, is set out as follows:

	Fees paid/payable (S$)
Annual audit services	180,000

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 the shareholders of the Company (the "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 or 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.

The Group has engaged an internal control consultant firm ("internal control consultant") to perform an independent review of the risk management and internal control system of the Group for the financial year ended 31 Dec 2019.

The review, being conducted on an on-going basis, covers financial reporting, operational and compliance aspects, including key corporate governance policies, listing rules compliance readiness and key internal control of major business cycles. The internal control consultant has made a number of recommendations for control improvement, to which the Management has taken relevant and necessary follow-up actions.

The Board, including the Audit Committee members, has reviewed the internal control report and received confirmation from management, accordingly, is of the view that the Company has an effective and adequacy of risk management and internal control system.

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 45, 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 Kirin Group Holdings Limited (stock code: 8109) since 1 January 2020. 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 2019, 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.

INSIDE INFORMATION DISCLOSURE

The Company has established an inside information disclosure policy.

The Board is responsible for timely, accurate and complete dissemination of inside information about the Group to the market by making proper and timely disclosure of inside information announcements.

Our policy strictly requires our Directors, Management and employees to keep unpublished inside information confidential and refrain from dealing in the Company's securities if they are in possession of such inside information.

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

OUR VISION FOR SUSTAINABILITY

GT Steel Construction Group Limited (hereinafter referred as "We", "GT Steel", the "Company") and its subsidiaries (collectively referred to the "Group") are keen on adhering to high standards of corporate governance, environmental and social responsibilities. We recognize the importance of integrity, transparency, professionalism and accountability as the foundation of creating sustainable value for all our stakeholders.

We acknowledge our responsibilities to the environment and society at large. As a steel fabricator in Singapore, we have established a Quality, Environmental and Occupational Health & Safety Management System ("QEHS" system) which has been certified with international standards, ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and OHSAS 18001:2007 for ensuring our quality, environmental and occupational health and safety performance. We also obtained bizSAFE Level Star which marked our excellence and commitment to safety.

REPORTING SCOPE

We prepared this Environmental, Social and Governance ("ESG") report with reference to and in compliance with the provisions of The Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited ('SEHK').

This ESG report covers the financial year ended 31 December 2019 and confines to the scope relating to our major business segment — design, supply, fabricate and erect structural steel-works for the construction of buildings, particularly covering two factories in Singapore. Under the QEHS system, we are committed to the consistent delivery of quality products, service excellence and on-time delivery, while ensuring compliance with applicable legal and regulatory requirements on workplace health and safety and environmental protection. We endeavor to provide relevant training to our employees, and ensure effective communication to all employees and stakeholders, including proper control of documents in our system manuals, to enforce and reinforce our QEHS system.

APPROVAL BY THE BOARD OF DIRECTORS

The Board assumes accountability for the Group's ESG strategy and reporting, is dedicated in enhancing our ESG commitments and data collection systems, and has approved this ESG report. We have also established an ESG Working Group, directly delegated by and reported to the Board, for driving our ESG initiatives, collecting and calculating ESG data and Key Performance Index ("KPI"), overseeing and reporting ESG related matters across our major businesses and operations. The Working Group is comprised of an Executive Director and various management from human resources, finance and operation departments.

Stakeholders' Engagement

We have an open and honest relationship with our stakeholders and maintained continuous communications with them.

In making our business decisions, we take into consideration of how our stakeholders would be impacted and how their various interests would be balanced. Our communication methods with our stakeholders are presented below.

Investors & Shareholders	☑ Corporate website ☑ Annual general meeting ☑ Announcements and disclosures ☑ Public reports
Employees	☑ Training ☑ Regular management & staff meetings ☑ Internal policy circulation ☑ Performance Evaluation
Customers	☑ Customer assessment ☑ On-site visit by customers ☑ Day-to-Day customer services ☑ Customer complaints and feedback channel ☑ Social media

Suppliers & Business Partners	✓	Supplier assessment
	✓	Quality and delivery review
	✓	Factory visits
Government Departments & Regulators	✓	Regular policy and regulatory updates
	✓	Formal correspondence
	✓	Ad-hoc meetings
Communities	✓	Industrial & community events
	✓	Social media

MATERIALITY ASSESSMENT

In the preparation of this report, our ESG Working Group gathers important facts and information through continuous communications with our stakeholders, particularly those in relation to our operating practices, employment practices, and environmental Performance/Impact. The ESG Working Group has further analyzed those facts and information, collated them with industry reference and evaluated them against materiality, quantitative measures, balance and consistency of this ESG report.

The ESG Working Group has considered every provisions of the ESG Reporting Guide and identified the 10 most concerned ESG issues for this report as presented below.

	Concerned ESG issues	Relevant ESG Provision
1.	Emission control	A1-Emissions
2.	Resource consumption	A2-Use of Resources
3.	Employment practices & labour standards	B1-Employment
4.	Staff occupational health and safety	B2-Health & Safety
5.	Staff development & training	B3-Development and Training
6.	Long-term sustainability and business performance	B5-Supply Chain Management
7.	Quality assurance	B5-Supply Chain Management
8.	Procurement practice	B5-Supply Chain Management
9.	Product Safety	B6-Product Responsibility
10.	Ethical practice & Integrity	B7-Anti-corruption

STAKEHOLDER'S FEEDBACK

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

The Environment

The Building and Construction Authority of Singapore is pursuing a "Green Mark" scheme to promote environmental awareness in the construction and real estate sectors. It is to promote best practices in environmental design and construction, and the adoption of green building technologies (lower the use of concrete in constructions). GT Steel supports this target through our products and services in structural steel-works to aid the greening of Singapore.

The Group values the environmental protection and has established and implemented operation protocol. We are committed to complying with regulatory authorities and with applicable environmental legislation and regulations and strive to reduce our own impact on the environment through the implementation of an Environmental Management System ("EMS"). Our EMS, which is certified with ISO 14001, ensures environmental policies are in place, and that any and all environmental risks we come across in our operations are well-identified and managed for continuous improvements. We also provide training in relevant environmental aspects of our activities and services to create a green culture among our employees.

The Group regularly follows the latest national environmental protection laws and regulations, thereby related 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").

We are not aware of any cases of non-compliance with relevant laws and regulations.

Emissions

Emission generated by our operations primarily consists of oxides from vehicular exhaust, purchased electricity and water. To mitigate air pollution, we have electricity-driven mobile machineries to replace the traditional use of diesel fuel.

Exhaust gas

Exhaust gas generated by the Group during the operation is mainly from the emissions of our vehicles.

The National Environment Agency ("NEA") of Singapore has been requiring the supply of cleaner petrol for motor vehicles and the sale of new petrol since September 2017 and diesel vehicles to meet EURO VI emission standards since January 2018. In consideration of the abatement measures by NEA and the relatively miniscule impact of motor vehicle emissions to the overall air pollution in Singapore, we consider that our vehicles do not generate much emission from environmental protection perspective.

Nevertheless, in order to raise awareness of employees on reducing GHG emissions, the Group adopts implementation of numerous measures for exhaust gas reduction, including phases out any vehicles that fail to satisfy the standards of the national emission policy, purchases regular diesel and gasoline for vehicles, and conducts annual inspections to ensure the compliance with national emission standards. We also adopt modern telecommunication system to avoid unnecessary travel arrangements.

Waste & Waste Management

The Group places high emphasis on proper waste disposal. Our operation does not generate any significant hazardous waste while the non-hazardous wastes generated were domestic waste and paper. Such wastes will eventually be collected and processed by general waste service providers. The Group discharges domestic sewage during daily operation, which is discharged into the local sewage pipe network.

In our production cycle, we apply energy efficient equipment such as computer numerical controlled ('CNC') steel cutting machines and CNC drilling machines for our fabrication processor, which is predominantly cutting and drilling of steel sections and plates, fitting and welding, generates steel off-cuts and trimmings that are recycled back into the production process. While for erection work on site, quality control processes, including rigorous checking, inspections and testing, are implemented at various stages before delivering the fabricated steel-works to the project site, the steel-works are pre-engineered to the correct dimensions and hence, no site waste is generated.

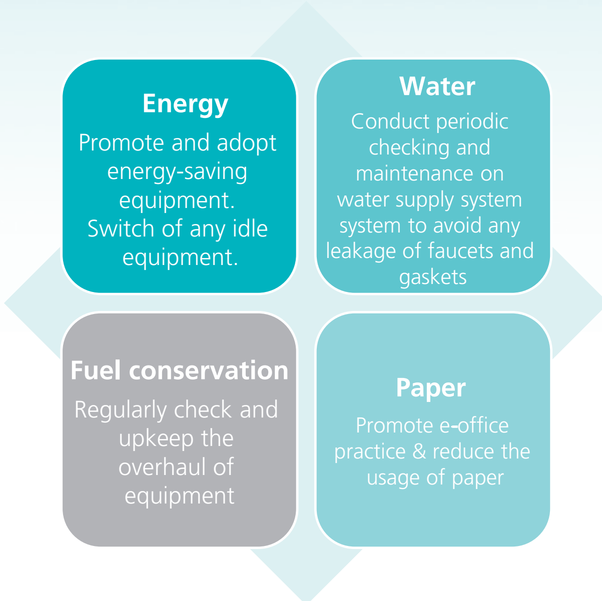
Since steel is the major raw material in our operations and being one of the most recycled building materials, we do not general significant amount of waste.

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.

Consumption Management

The Group also carries out resources saving initiatives in every aspect of our operation.



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

In Singapore, water is supplied by the government and posts no sourcing risk to our operation. In our operation and business nature, insignificant packaging materials are used for our final steel products and post no environmental risks to our environment and resources consumption.

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 resources 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.

Our operation policy and process comply with all relevant environmental laws and regulations 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.

EMPLOYMENT PRACTICES

Employment and Labour Standard

Employees are regarded as the Group's greatest asset and the core of its competitive advantage. The Group is committed to providing a good working environment, in a bid to enhance cohesion and sense of belongings among the employees, thereby achieving a mutual growth and development of both the employees and the Group. According to the Singapore Employment Act, the Group has prepared a Staff Handbook by considering its specific operation needs, which covers policies and measures in relation to relevant employment system and labour standards. Our Human Resources management sets off to achieve a respectful and fair working environment, attracts and retains 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.

As at 31 December 2019, the Company had a total of 141 employees including directors of the Company. In the review year, there was a management left and 2 new joiners to our operation support team.

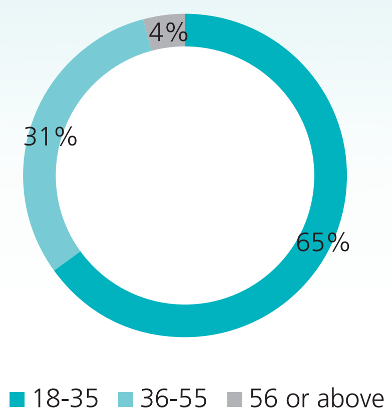
The Group is committed to eliminating discrimination in working environments and strives to provide employees with equal job opportunities in respect of recruitment, training, opportunities, benefits, and job arrangements, regardless of their race and gender.

GT steel complies with laws and regulations, the Ministry of Manpower of Singapore ("MOM") Anti Child Labour Policy and MOM Prohibition of Forced Labour Policy. Our recruit and select standards are based on candidates' merits, qualifications, competencies attributes and experience, with no discrimination on age, gender, race and religion.

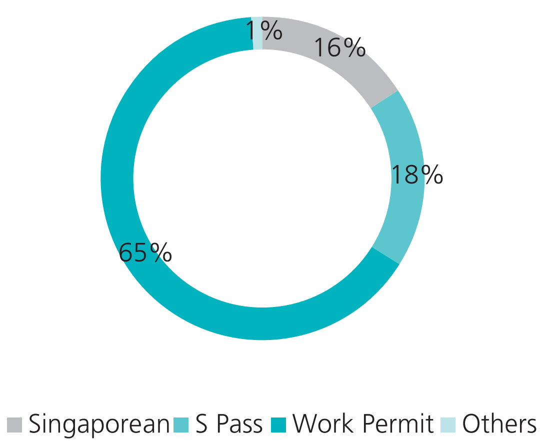
We are not aware of any material non-compliance with the Employment Act (Cap. 91), the Employment of Foreign Manpower Act (Cap. 91A) and the Employment of Foreign Manpower (Work Passes) Regulations 2012, the Employment of Children and Young Persons Regulations, Employees' Compensation Ordinance of Singapore and other applicable laws and regulations that have a significant impact relating to employment, labour relations, employees' remuneration, employees' compensation insurance, mandatory provident fund and welfare of employees in the review year.

No non-compliance with laws that resulted in significant fines or sanctions had been reported in the review year.

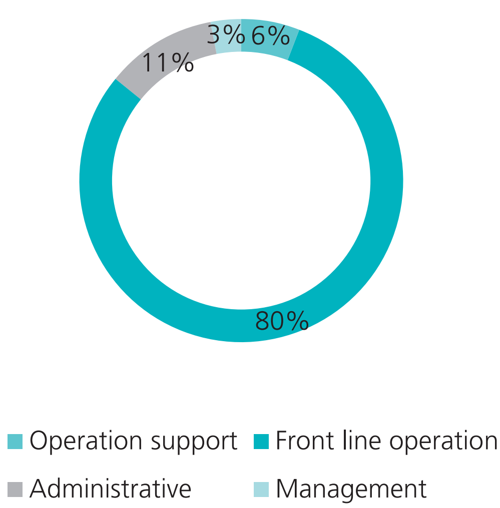
Empolyee by age group



By Nationality



By department



Occupational Health and Safety

As employees are an important asset and resource of GT Steel, we are committed to continuing the necessary safety measure in our factories, and ensure the risk managing for our operation. 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. 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.

GT Steel has developed a set of operational control procedures outlining safety requirements and considerations for carrying hazardous works, such as hot work, workplace noise, working at heights and lifting. The employees of GT Steel have been educated on potential risks and to carry out day-to-day operations in a safe manner under these procedures, to reduce the associated risks that may affect the safety of our employees.

All employees are encouraged to report all accidents, no matter how minor they may seem, to prevent future recurrence and proper medical treatment if needed. We continue to maintain the Occupational Health and Safety ("OHS") compliance, to ensure the safety of employees and the operation of our business, as the six — step action plan in place for the identification, correction and prevention of occupational health and safety hazards.

There is no record of any significant injury or death of employees during the review year. In addition, no non-compliance with law that resulted in significant fines or sanctions had been reported in the review year.

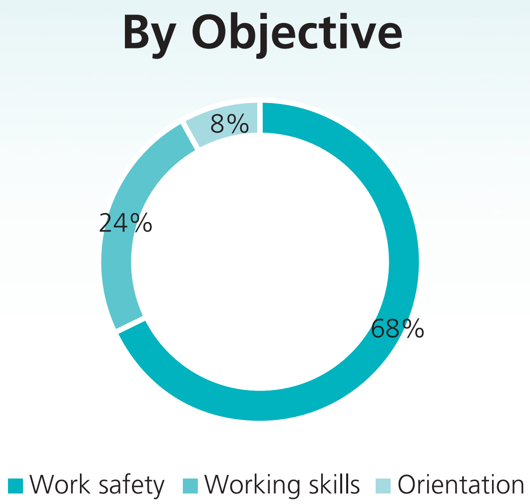
Staff development & Training

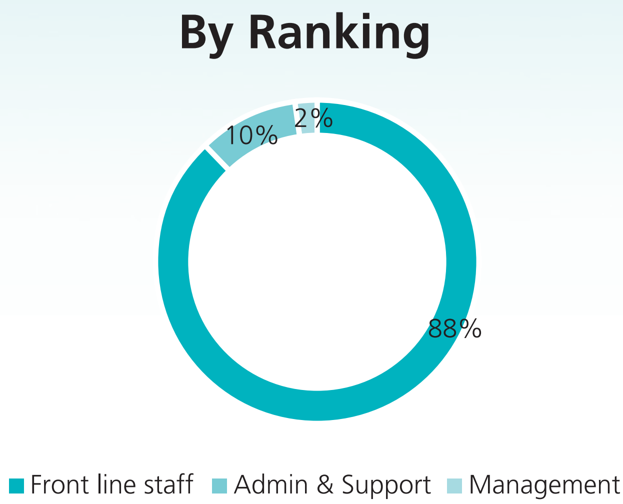
GT Steel continues to support the performance, improvement, development and growth of our employees across all levels. Our appraisal system has no change in appraisal policy and procedure. An annual performance appraisal forms the basis of monetary incentives and/or promotions follow by on-the — job and off-the-job training for the employees. The following action can be planned and implemented according to the various departmental needs and the scope of work of individual employees.

Training

Employees of GT Steel are encouraged to participate in various training courses covering areas of workplace safety & health, and occupational skills such as operation of forklifts, scissors lifts and boom lifts, and first aid courses. In the review year, no less than 50 external courses amounted to 1,996 training hours were provided by relevant professional associations to our staff.

Illustrate below the composition of staff who attended external training:





Supply Chain Management

We also place high importance on the management of potential environmental and social risks of its supply chain when it procures raw materials. We have established a Quality, Environmental and Occupational Health & Safety Management System ('QEHS' system) which was certified with international standards, ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and OHSAS 18001:2007.

We established a stringent and standardized procurement system and a supplier selection process which also take environmental and social risk control of suppliers into account in order to regulate the procurement system and control costs effectively and enhance the transparency of procurement management.

OHS Management System	Systematic supply chain and good work practices are essential to our long-term sustainability and business performance. We endeavor to provide customers with products and services of the highest quality and regularly review each supplier's and business partner's product standards to ensure they follow safety standards and regulatory requirements. In ensuring operational safety, an effective OHS Management System (OMS) has been established. Under OMS, we have a six-step action plan in place for the identification, correction and prevention of occupational health and safety hazards: Step 1 — Identification of the problems Step 2 — Assignment of the responsible party for action to be taken Step 3 — Investigation of the root cause of the problems Step 4 — Formulation of counter measures, corrective and preventive measures Step 5 — Implementation of corrective and preventive measures Step 6 — Monitoring of the effectiveness of actions taken Problems can be identified when certain quality or safety standards are not met, non-conformance by external parties such as subcontractors or suppliers, and customer complaints or accidents. We also conduct risk assessments to identify potential OHS Hazards and annual internal audits to ensure compliance with our system manuals and procedures, followed with the development of an action plan, and implementation of corrective and preventive measures. The six steps are designed to not only identify, investigate, escalate, and ultimately rectify OHS problems, but also to ensure that all corrective and preventive measures are monitored and reviewed for their effectiveness in preventing further similar occurrences. The OHS management plan is holistic in its application.

Supply chain	The Group applies automation management systems to enable a quality assurance and traceability of our supply chain and food safety. Our robust technology infrastructure and stringent quality control measures drive our operational excellence and ensure product quality. We may 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. With comprehensive transportation system in place, we deliver our products by trucks from our production facilities to customers' warehouse or designated locations. We outsource the logistics to various contracted third-party logistic service providers to enhance the efficiency and diversify operational and compliance risks. While these third-party logistic service providers bear the liabilities for any damage or loss during transportation, we regularly review their operational and compliance aspects.
Procurement	Procurement is our first defense. We purchase raw materials from accredited suppliers who have passed our quality and reliability assessment. The selection of suppliers and subcontractors is based on background, pricing, service, quality, reputation, and after-sales support, as well as capacity to ensure stable and adequate supply. The approved vendor list is reviewed annually, and each approved vendor will be reviewed based on their performance, such as quality timeliness, responsiveness and their environmental, health and safety record. Raw materials suppliers are required to follow the related product specification requirements and are required to submit corresponding independent third-party assurance report and/or the results of laboratory tests of their products to us at inception or when requested. We established guideline on inspection, sampling, and testing requirement where our employees follow through before accepting incoming raw materials. Sub-standard raw materials will be returned. Over 85% of our purchase was sourced locally in Singapore.

Product Responsibility

As a supplier of the main contractors of building projects in Singapore, our mission is to deliver quality structural steel products and services for the construction industry on a timely and reliable basis to meet customer's safety and regulatory requirements. In doing so, our Quality Management System ('QMS'), which is certified with ISO 9001:2015, 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. We also invite our customers to participate in our customer satisfaction survey at the conclusion of each project to proactively understand our customer's views.

Production procedure	Systematic, consistent and regulated production process gives a big hand to promote product quality. Comprehensive inspection is performed by our quality control department throughout production process to promote proper operation. When subcontractors engage in high safety-risk 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 site, including compliance with safety procedures at the project site, the use of protective equipment and the availability of safety officers and trained workers. Finished products are properly stored in designated zones according to their manufacturing dates and product categories.

We actively safeguard the quality of our products with our internal control process. 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. In case of any product sold but later identified as disqualified, we will recall and deal with the same according to the established procedures, ensuring product quality and public safety. In the review year, the Group did not identify any case related to product recall.

Customer Expectation	We are committed to providing the good service experience to our customers and conducting regular customer service evaluation to continually improve our performance. In the event of any consumer concerns, our customer service department follows up directly with the consumers in a timely manner, enabling us to take requisite precautions to prevent related issues from reoccurrence. The Group places a high value on smooth communications channels with our customers to fulfil customer demands. A customer complaint policy was set up to handle and resolve customer's inquiries in a timely manner. Our complaint channel enables our customers to submit complaints and suggestions regarding service or commodity quality. Upon receiving customer complaints, our manager will review such customer complaints before appointing our engineers to launch investigation into the said customer complaints. The engineers will analyze the causes and determine which department shall be held accountable before the follow-up procedures take place. The sales department will respond to the customers in connection with the merits of the complaint and corrective actions to be taken or precautions to be implemented. In the review year, the Group did not identify any customer complaint. We set out policy in compliance of goods and services. The policy attaches great importance to protect the privacy of our customers where only defined employees can access to portion of customers' data. In the review year, the Group was not aware of any material non-compliance with product and service.

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 will immediately cease circulating such false advertisement and eliminate the negative effects by issuing a clarification announcement accordingly.

In the review year, the Group is not aware of any non-compliance cases related to product responsibility, health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.

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.

Community Involvement

As a responsible corporation, the Group has been working towards to building a beautiful and healthy community and maintaining communication and interaction with the community to contribute to the development of the community. The Group is constructing a community engagement policy in order to visualize our community involvement in a strategic manner. The community engagement policy will set our goal, our role and possible methods in order to determine whom, how and when we will engage in our community and the types of community engagement, such as community education and community family support, we will involve.

Environmental Key performance Indicators

Emission Type	Indicator	FY2019
Greenhouse gas[2]	Direct emissions — Scope 13 (tonnes CO_2)	173.4
	Indirect emissions — Scope 24 (tonnes CO_2)	106.1
	Indirect emissions — Scope 35 (tonnes CO_2)	15.1
Exhaust gas	Sulphur Dioxide (SO_x) — kg	1.1
	Nitrogen Oxides (NO_x) — kg	355.0
	Particulate Matter (PM) — kg	32.8

Major resource consumed	Unit	Amount	Intensity[1]
Water — processing	tonnes	10,523.1	201.6
Electricity — processing	kWh	253,116.7	4,977.7
Diesel	liter	69,078.9	1,358.5
Paper	Kg	949.2	18.7

Notes to above table:

1 Intensity is calculated by the emissions by the Group's revenue for FY2019 (approximately S$50.85 million).

2 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.

3 Major source of Scope 1 emission came from usage of Diesel.

4 Major source of Scope 2 emission came from usage of purchased electricity.

5 Major source of Scope 3 emission came from processing fresh water and sewage by government departments.

6 Our operation does not generate hazardous waste.

7 Domestic waste totals have been deemed immaterial to our operations, thus we do not maintain relevant record.

8 Packaging material usage is insignificant in our operation process, thus we do not maintain relevant record.

SEHK ESG Reporting Guide General Disclosures		Reference Section/Remark	Comply or Explain
A. Environment			
A1 Emissions	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 Environment	Complied
KPI A1.1	The types of emissions and respective emissions data.	Environmental Key Performance Indicators	Complied
KPI A1.2	Greenhouse gas emissions in total, and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Key Performance Indicators	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 — total hazardous waste produced in operation were insignificant.	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.	Use of Resources	Complied
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste & Waste Management	Complied
A2 Use of Resource	Policies on efficient use of resources including energy, water and other raw materials.	Consumption Management	Complied

SEHK ESG Reporting Guide General Disclosures		Reference Section/Remark	Comply or Explain
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).	Environmental Key Performance Indicators	Complied
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Key Performance Indicators	Complied
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental Key Performance Indicators	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 — we do not have problems in sourcing water in our operation.	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.	The Environment and Natural Resources	Complied

SEHK ESG Reporting Guide General Disclosures		Reference Section/Remark	Comply or Explain
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.	Employment Practices	Complied
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.	Occupational Health and Safety	Complied
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Staff development & Training	Complied
B4 Labour Standard	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on preventing child or forced labour.	Employment and Labour Standard	Complied
B5 Supply Chain Management	Policies on managing environmental and social risks of supply chain.	Supply Chain Management	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 ` 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.	Community Involvement	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 2019.

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 2019 is set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 60 of this report and the financial position of the Group as at 31 December 2019 is set out in the Consolidated Statement of Financial Position on page 61 to 62 of this report. The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

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 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 2019.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the past five years ended 31 December 2019 is set out on page 132 of this report. This summary does not form part of the audited financial statements.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 December 2019, 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 one month to one year and during which the amount of progress claim varies from month to month depending on the provision of construction works and installation and auxiliary services for the month. The supply and installation schedule is as directed by the customer, in accordance with the main contractor's schedule. As such, the Group actively manages our customers' credit limits, aging, and repayment of retention monies and monitors the operating cash flows to ensure adequate working capital funds and repayment schedule is met.

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 2019 are set out in Note 13 to the consolidated financial statements.

BANK BORROWINGS

Details of the Group's lease liabilities and bank borrowings as at 31 December 2019 are set out in Notes 21 and 22 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2019 are set out in Note 24 to the consolidated financial statements in this report.

USE OF PROCEEDS FROM THE SHARE OFFER

As at 31 December 2019, the Company has not yet utilised the net proceeds of approximately HK$14.6 million (approximately S$2.53 million) raised from the Listing 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 63 of the consolidated statement of changes in equity and page 122 of this report.

DISTRIBUTABLE RESERVES

The Company did not have distributable reserves as at 31 December 2019, 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 2019, the Group did not make charitable contributions.

EVENTS AFTER THE REPORTING PERIOD

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

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, sales to the Group's five largest customers accounted for approximately 97.5% of total sales and sales to the largest customer included therein amounted to approximately 56.5% of total sales. The Group's five largest suppliers accounted for approximately 56.7% of total purchases during the year ended 31 December 2019 and purchases from the largest supplier included therein amounted to approximately 26.2% 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 2019.

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 2019 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 2019, 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 10 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 12 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 2019.

As of 31 December 2019, 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 2019.

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 2019.

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 2019, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Director	Nature of interest	Number of shares held	Approximate percentage of the issued share capital
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 2019, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2019, the register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 December 2019, the Company had been notified of the following substantial shareholder's interest and short positions being 5% or more of the issued share capital of the Company.

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

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 2019.

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

During the year ended 31 December 2019, 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 24 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 2019 and there was no outstanding option as at 31 December 2019.

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, 24 March 2020

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 60 to 131, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 5) 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 from contracts 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 (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).

The uncertainty and subjectivity involved in determining the costs 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 Notes 3 and 4 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

24 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Financial Year ended 31 December 2019

	Note	2019 S$	2018 S$
Revenue	5	**50,851,802**	50,117,397
Cost of services		**(39,038,620)**	(37,898,474)
Gross profit		**11,813,182**	12,218,923
Other income	6a	**222,021**	216,862
Other gains (losses)	6b	**3,498**	(510)
Selling expenses		**(208,486)**	(377,869)
Administrative expenses		**(3,959,622)**	(3,856,821)
Other expenses	6c	**(814,858)**	—
Finance costs	7	**(189,202)**	(175,149)
Profit before taxation		**6,866,533**	8,025,436
Income tax expense	8	**(1,538,437)**	(1,482,936)
Profit for the year	9	**5,328,096**	6,542,500
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operation		**(5,024)**	(2,441)
Total comprehensive income for the year		**5,323,072**	6,540,059
Basic earnings per share (S$ cents)	12	**1.11**	1.36

See accompanying notes to consolidated financial statements.

Consolidated Statement of Financial Position

As At 31 December 2019

	Note	31 December 2019 S$	31 December 2018 S$
Non-current assets			
Property, plant and equipment	13	3,801,076	1,379,061
Right-of-use assets	14	1,956,215	—
Investment properties	15	2,631,675	2,684,941
		8,388,966	4,064,002
Current assets			
Trade receivables	16	20,943,010	6,451,736
Contract assets	17	13,336,349	10,075,674
Deposits, prepayments and other receivables	18	358,428	3,773,322
Bank balances and cash	19a	1,870,336	12,977,713
Pledged bank deposits	19b	2,941,810	3,985,089
		39,449,933	37,263,534
Current liabilities			
Trade and other payables	20	9,786,014	8,351,549
Leases liabilities	21	547,116	—
Obligations under finance leases	21	—	139,823
Borrowings	22	2,487,524	4,388,533
Income tax payable		1,773,739	1,483,359
		14,594,393	14,363,264
Net current assets		24,855,540	22,900,270
Total assets less current liabilities		33,244,506	26,964,272

Consolidated Statement of Financial Position (Continued)

As At 31 December 2019

	Note	31 December 2019 S$	31 December 2018 S$
Non-current liabilities			
Lease liabilities	21	1,258,616	—
Obligations under finance leases	21	—	184,833
Borrowings	22	1,114,222	1,211,281
Deferred tax liabilities	23	52,069	71,631
		2,424,907	1,467,745
Net assets		30,819,599	25,496,527
Capital and reserves			
Share capital	24	827,586	827,586
Share premium		8,613,061	8,613,061
Merger reserves		2,999,983	2,999,983
Accumulated profits		18,386,434	13,058,338
Translation reserve		(7,465)	(2,441)
Equity attributable to owners of the Company		30,819,599	25,496,527

The consolidated financial statements on pages 60 to 131 were approved and authorised for issue by the Board of Directors on 24 March 2020 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 2019

	Share capital S$	Share premium (Note A) S$	Merger reserves (Note B) S$	Accumulated profits S$	Translation Reserve S$	Total S$
At 1 January 2018	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
Total comprehensive income (expense) for the year:						
Profit for the year	—	—	—	5,328,096	—	5,328,096
Other comprehensive expense for the year	—	—	—	—	(5,024)	(5,024)
Total	—	—	—	5,328,096	(5,024)	5,323,072
At 31 December 2019	827,586	8,613,061	2,999,983	18,386,434	(7,465)	30,819,599

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

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

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

For the Financial Year ended 31 December 2019

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

Consolidated Statement of Cash Flows (Continued)

For the Financial Year ended 31 December 2019

	2019 S$	2018 S$
Financing activities		
Repayment to ultimate holding company	—	(80,526)
Repayment to a director	—	(100,994)
Repayment of lease liabilities	**(485,906)**	—
Repayment of obligations under finance leases	—	(133,755)
Proceeds from borrowings	**7,532,892**	16,132,643
Repayments of borrowings	**(9,530,960)**	(14,872,130)
Interest received	**76,184**	—
Interest paid	**(189,202)**	(175,149)
Fixed deposits pledged	**1,043,279**	(3,985,089)
Net cash used in financing activities	**(1,553,713)**	(3,215,000)
Net (decrease) increase in cash and cash equivalents	**(11,102,353)**	1,750,281
Cash and cash equivalents at beginning of the year	**12,977,713**	11,229,883
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	**(5,024)**	(2,451)
Cash and cash equivalents at end of the year (Note 19a)	**1,870,336**	12,977,713

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

For the Financial Year ended 31 December 2019

1 GENERAL

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 1 February 2017. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business is at 64 Woodlands Industrial Park E9, Singapore 757833. The shares of the Company are listed on the GEM of the Stock Exchange of Hong Kong Limited (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 29.

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

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

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

New and amended IFRSs that are effective for the current year

Impact of initial application of IFRS 16 Leases ("IFRS 16")

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

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

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

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

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

Impact of initial application of IFRS 16 Leases (Continued)

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

- For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

- The Group accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

- The Group has used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

- The Group has excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application.

(a) Impact of the new definition of a lease

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

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

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

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

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

Impact of initial application of IFRS 16 Leases (Continued)

(b) Impact on Lessee Accounting

(i) Former operating leases

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

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

a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);

b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

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

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

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

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

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

Impact of initial application of IFRS 16 Leases (Continued)

(b) Impact on Lessee Accounting (Continued)

(i) Former operating leases *(Continued)*

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

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

(ii) Former finance leases

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

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

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

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

Impact of initial application of IFRS 16 Leases (Continued)

(c) Impact on Lessor Accounting

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

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

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

(d) Financial impact of initial application of IFRS 16

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

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

Impact on retained earnings as at 1 January 2019

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

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

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

Impact of initial application of IFRS 16 Leases (Continued)

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

Lease liabilities

	S$
Analysed as:	
Non-current	744,815
Current	468,650
	1,213,465

In addition, the Group recognised right-of-use assets of S$ 1,213,465 as at 1 January 2019 upon transition to IFRS 16 as disclosed in Note 14.

New and amendments to IFRSs in issue but not yet effective

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

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

(i) Effective for annual periods beginning on or after 1 January 2021.

(ii) Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

(iii) Effective for annual periods beginning on or after a date to be determined.

(iv) Effective for annual periods beginning on or after 1 January 2020.

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

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

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

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

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

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

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

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in IFRS Standards

The New Framework:

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

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

3 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.

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 IFRS 16 *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.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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; or
- 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.

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.

3 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.

Interest income

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions *(Continued)*

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.

Leases

The Group has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from 1 January 2019

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Policies applicable from 1 January 2019 (Continued)

The Group as a lessee (Continued)

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Policies applicable from 1 January 2019 (Continued)

The Group as a lessee (Continued)

The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Administrative expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group also rents equipment to retailers necessary for the presentation and customer fitting and testing of footwear and equipment manufactured by the Group.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Policies applicable from 1 January 2019 (Continued)

The Group as a lessor (Continued)

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Policies applicable prior to 1 January 2019

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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.

3 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.

3 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 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Classification of financial assets (Continued)

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
- 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.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition

Impairment of financial assets

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;

3 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.

3 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 day 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; or
- a breach of contract, such as a default or past due event; or
- 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.

3 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.

3 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.

3 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.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, 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.

4 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

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.

5 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 3. 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	
	2019	2018
	S$	S$
Revenue from:		
Provision of structural steelworks services	**50,851,802**	50,117,397

Timing of recognition

Revenue based by timing of recognition are as follows:

	Year ended 31 December	
	2019	2018
	S$	S$
Over time	**50,851,802**	50,117,397

5 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	
	2019	2018
	S$	S$
Customer I	**28,230,666**	41,481,458
Customer II	**16,439,815**	N/A*

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

	Year ended 31 December	
	2019	2018
	S$	S$
Provision of structural steelworks services	**1,557,227**	33,430,500

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

Geographical information

Revenue based on geographical location of customers are as follows:

	Year ended 31 December	
	2019	2018
	S$	S$
Singapore	**50,846,767**	48,369,824
Malaysia	**5,035**	1,747,573
	50,851,802	50,117,397

6 A. OTHER INCOME

	2019 S$	2018 S$
Insurance claim receipt	179	22,434
Government grants	11,178	56,653
Rental income	125,316	125,501
Interest income	76,184	—
Sundry income	9,164	12,274
	222,021	216,862

B. OTHER GAINS (LOSSES)

	Year ended 31 December	
	2019 S$	2018 S$
Gain (Loss) on disposal of property, plant and equipment	3,498	(510)

C. OTHER EXPENSES

	Year ended 31 December	
	2019 S$	2018 S$
Listing expenses	814,858	—

7 FINANCE COSTS

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

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2019

8 INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	S$	S$
Tax expense comprises:		
Current tax		
— Singapore corporate income tax ("CIT")	**1,497,640**	1,477,286
— Under provision in prior years	**60,359**	5,594
Deferred tax expense (Note 23)		
— Current year	**(19,562)**	56
	1,538,437	1,482,936

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

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

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

Note:

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

9 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31 December	
	2019	2018
	S$	S$
Audit fees paid to auditors of the Company:		
— Annual audit fees	**180,000**	150,000
Listing transfer expense (Note a)	**814,858**	—
Depreciation of property, plant and equipment (Note 13)		
— Recognised in cost of services	**398,203**	461,125
— Recognised in administrative expenses	**353,492**	223,205
Depreciation of right-of-use assets (Note 14)		
— Recognised in cost of services	**337,350**	—
— Recognised in administrative expenses	**195,680**	—
Depreciation of investment properties (Note 15)	**53,266**	53,267
Directors' emoluments (Note 10)	**567,174**	279,693
Other staff costs		
— Salaries and wages	**3,925,045**	3,790,778
— Defined contribution plans	**89,310**	102,391
— Other staff benefits	**76,452**	100,545
Total staff costs	**4,090,807**	3,993,714
Cost of materials recognised as expenses	**10,586,026**	14,962,043
Subcontractor costs recognised as expenses	**22,871,554**	16,235,143

Note:

a. This pertains to expenses incurred in relation to the proposed transfer of Listing to Main Board. Included in Listing expenses are non-audit fees of S$56,000 paid to other member firms of the auditors of the Company.

10 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 2019

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

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

10 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 2019 included two (2018: two) directors, details of whose remunerations are set out above. Details of the remuneration for the remaining three (2018: three) highest paid employees who are not directors of the Company are as follows:

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

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2019

10 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	
	2019	2018
Emolument bands		
Nil to HK$500,000	**2**	2
HK$500,001 to HK$1,000,000	**3**	3

11 DIVIDEND

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

12 EARNINGS PER SHARE

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

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

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

13 PROPERTY, PLANT AND EQUIPMENT

	Building S$	Motor vehicles S$	Office equipment S$	Plant and machinery S$	Leasehold improvement S$	Total S$
Cost:						
At 1 January 2018	1,500,000	645,773	437,610	1,498,482	732,228	4,814,093
Additions	—	—	35,300	137,049	11,500	183,849
Disposals	—	(31,722)	—	—	—	(31,722)
Exchange difference on translation	—	—	10	—	—	10
At 31 December 2018	1,500,000	614,051	472,920	1,635,531	743,728	4,966,230
Adoption of IFRS 16 (Note 14)	—	(551,857)	—	(322,030)	—	(873,887)
At 1 January 2019	1,500,000	62,194	472,920	1,313,501	743,728	4,092,343
Additions[(a)]	3,500,000	—	13,423	126,252	—	3,639,675
Disposals	—	(15,693)	(25,893)	—	—	(41,586)
At 31 December 2019	5,000,000	46,501	460,450	1,439,753	743,728	7,690,432
Accumulated depreciation:						
At 1 January 2018	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
Adoption of IFRS 16 (Note 14)	—	(173,968)	—	(234,456)	—	(408,424)
At 1 January 2019	1,125,000	52,670	433,740	984,412	582,923	3,178,745
Charge for the year	453,967	7,409	20,497	148,203	121,619	751,695
Elimination on disposals	—	(15,300)	(25,784)	—	—	(41,084)
At 31 December 2019	1,578,967	44,779	428,453	1,132,615	704,542	3,889,356
Carrying amounts:						
At 31 December 2018	375,000	387,413	39,180	416,663	160,805	1,379,061
At 1 January 2019	375,000	9,524	39,180	329,089	160,805	913,598
At 31 December 2019	3,421,033	1,722	31,997	307,138	39,186	3,801,076

(a) Included in this balance is the factory amounting to S$3,500,000 which was acquired through the acquisition of Kay Huat Trading Company Private Limited (Note 29).

13 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:

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

Assets pledged as Security

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

14 RIGHT-OF-USE ASSETS

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

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

Amount recognised in profit and loss

	31 December 2019 S$
Depreciation on right-of-use assets	**533,030**
Interest expense on lease liabilities	**63,465**

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

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

15 INVESTMENT PROPERTIES

	Freehold property S$	Leasehold properties S$	Total S$
Cost:			
At 1 January 2018,			
31 December 2018 and 2019	1,581,575	1,427,551	3,009,126
Accumulated depreciation:			
At 1 January 2018	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
Charge for the year	26,360	26,906	53,266
At 31 December 2019	118,619	258,832	377,451
Net carrying value:			
At 31 December 2018	1,489,316	1,195,625	2,684,941
At 31 December 2019	1,462,956	1,168,719	2,631,675

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

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

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

The investment properties comprise industrial properties that are leased to external customers. The leases contain initial non-cancellable period of 2 years. Subsequent renewal is negotiated with the lessees. The investment properties are mortgaged to the banks to secure for bank loans (Note 22) as at 31 December 2018 and 2019.

15 INVESTMENT PROPERTIES *(Continued)*

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

In estimating the fair value of the property, the highest and best use of the property 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$125,316 (2018: S$125,501). Direct operating expenses arising from the rental-generating investment properties amounted to S$53,266 (2018: S$53,267).

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

	Fair value Level 3 S$
— 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
— As at 31 December 2019	
421 Tagore Ind. Avenue #02–14, Singapore	1,620,503
No. 18 Sin Ming Lane #07–40 Midview City, Singapore	483,616
No. 18 Sin Ming Lane #07–41 Midview City, Singapore	540,512
No. 21 Woodlands Park E1 #03–05, Singapore	445,890
Total	3,090,521

16 TRADE RECEIVABLES

	2019 S$	2018 S$
Trade receivables	**6,117,832**	6,368,157
Unbilled revenue (Note a)	**14,825,178**	83,579
	20,943,010	6,451,736

Note:

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

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

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

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

The Group applied simplified approach to provide the expected credit losses prescribed by IFRS 9. The impairment methodology is set out in Notes 3 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).

16 TRADE RECEIVABLES *(Continued)*

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

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

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

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

17 CONTRACT ASSETS

	As at 31 December	
	2019	2018
	S$	S$
Analysed for reporting purposes as:		
Contract assets	**13,336,349**	10,075,674
	13,336,349	10,075,674

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

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

17 CONTRACT ASSETS *(Continued)*

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 2019 and 2018.

18 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019 **S$**	2018 S$
Prepayments to sub-contractor (Note a)	**—**	3,308,898
Deposits (Note b)	**156,752**	173,035
Prepayments	**201,676**	291,389
	358,428	3,773,322

Notes:

a. In 2018, the prepayments to Sub-contractors represented down payment for certain projects. The amounts have been fully utilised during the year.

b. The directors of the Company considered that the ECL on deposits is insignificant as at 31 December 2019.

19a BANK BALANCES AND CASH

	As at 31 December	
	2019	2018
	S$	S$
Cash on hand	**1,100**	1,000
Cash at bank	**1,869,236**	12,976,713
	1,870,336	12,977,713

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

19b PLEDGED BANK DEPOSITS

	As at 31 December	
	2019	2018
	S$	S$
Fixed deposits	**2,941,810**	3,985,089

The fixed bank deposits are pledged to bank borrowings (Note 22), bear interests at effective interest rates ranging from 1.5% to 2.06% (2018: 1.02% to 2.21%) per annum and for a tenure of a year.

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

20 TRADE AND OTHER PAYABLES

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

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

21 LEASE LIABILITIES

	31 December 2019 S$
Analysed as:	
Non-current	1,258,616
Current	547,116
	1,805,732

Disclosure required by IFRS 16

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2019

21 LEASE LIABILITIES *(Continued)*

Disclosure required by IAS 17

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

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

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

	31 December 2018
Interest rates	4.79%

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (Note 13).

22 BORROWINGS

	2019 S$	2018 S$
Secured and guaranteed:		
Trade financing (Notes a and d)	**1,888,897**	4,289,566
Revolving credit facility (Notes b and d)	**500,000**	—
Bank loans (Notes c and d)	**1,212,849**	1,310,248
	3,601,746	5,599,814
Analysed as:		
Carrying amount repayable within one year	**2,487,524**	4,388,533
Carrying amount repayable more than one year, but not exceeding two years	**100,226**	100,374
Carrying amount repayable more than two years, but not more than five years	**205,334**	259,553
Carrying amount repayable more than five years	**808,662**	851,354
	3,601,746	5,599,814
Less: Amount due within one year shown under current liabilities	**(2,487,524)**	(4,388,533)
Amount shown under non-current liabilities	**1,114,222**	1,211,281

a. As at 31 December 2019, trade financing bears a floating interest rate at 1.65% (2018: 1.65% to 2.00%) above the bank's cost of funds per annum).

b. As at 31 December 2019, revolving credit facility bore a floating interest rate at 1.65% above the bank's cost of funds per annum.

c. As at 31 December 2019, the bank loans are secured by first legal charge and the pledge over the Group's investment properties (Note 15), and the bank loans bear floating interest rates with weighted average effective interest rate at 3.59% (2018: 3.55%) per annum. The amounts are repayable at the dates ranging from 2020 to 2037 and from 2019 to 2037 as at 31 December 2019 and 2018 respectively.

d. As at 31 December 2019 and 2018, the Group's borrowings are secured by corporate guarantee issued by the Company and personal guarantee issued by the Director.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2019

23 DEFERRED TAX LIABILITIES

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

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.

24 SHARE CAPITAL

	Number of shares	Par value HK$	Share capital HK$
At 1 January 2018, 31 December 2018 and 31 December 2019	5,000,000,000	0.01	50,000,000

	Number of shares	Share capital S$
At 1 January 2018, 31 December 2018 and 31 December 2019	480,000,000	827,586

25 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 2019 and 2018, no share options has been granted nor exercised and there is no outstanding share options of the Company as at 31 December 2019 and 2018.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2019

26 OPERATING LEASE COMMITMENTS

The Group as lessor

Disclosure required by IFRS 16

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

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

	31 December 2019 S$
Maturity analysis of operating lease payments:	
Year 1	74,543
Year 2	1,490
Total	76,033

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

	31 December 2019 S$
Lease income on operating lease	125,316

Disclosure required by IAS 17

	31 December 2018 S$
Rental income	125,501

26 OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessor *(Continued)*

Disclosure required by IAS 17 (Continued)

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

	31 December 2018 S$
Within one year	113,316
In the second to fifth year inclusive	42,827
	156,143

The Group as lessee

Disclosure required by IAS 17

	31 December 2018 S$
Minimum lease payments under operating leases in respect of factory and office premises	360,792

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

	31 December 2018 S$
Within one year	292,548
In the second to fifth year inclusive	112,152
	404,700

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

27 RETIREMENT BENEFIT PLAN

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

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

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

28 RELATED PARTY TRANSACTIONS

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

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

29 PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company as at 31 December 2019 are set out below.

Name	Place of incorporation/ operations	Paid up issued capital	Proportion of ownership interest/voting power held		Principal activities
			2019	2018	
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	Malaysia	RM250,000	**100%**	100%	Provision of structural steelwork services
Kay Huat Trading Company Private Limited[a]	Singapore	S$3,500,000	**100%**	—	Dormant

Note:

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

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

Total consideration transferred at acquisition date comprise of cash consideration of S$3,500,000. The fair values of net assets acquired on the date of acquisition is S$3,500,000 for the property acquired.

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.

30 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	
	2019	2018
	S$	S$
ASSETS AND LIABILITIES		
Non-current asset		
Investment in a subsidiary[(a)]	**3,500,017**	17
Current assets		
Bank balances and cash	**3,731,172**	6,502,899
Amount due from a subsidiary	**550,742**	1,648,420
Other receivables	**103,414**	109,146
	4,385,328	8,260,465
Current liabilities		
Other payables	**96,000**	134,396
Amount due to subsidiaries	**3,749,809**	2,872,183
	3,845,809	3,006,579
Net current assets	**539,519**	5,253,886
Total assets less current liabilities, representing net assets	**4,039,536**	5,253,903
EQUITY		
Capital and reserves		
Share capital	**827,586**	827,586
Reserves	**3,211,950**	4,426,317
Equity attributable to owners of the Company	**4,039,536**	5,253,903

(a) The amount is stated at cost as it is deemed to be part of the Company's equity investment in the subsidiaries, as the amounts are interest-free, payable at discretion of the borrowers when they are able to do so.

30 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

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

	Share Premium S$	Accumulated loss S$	Total S$
At 1 January 2018	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
Total comprehensive expense for the year:			
Loss for the year	—	(1,214,367)	(1,214,367)
At 31 December 2019	8,613,061	(5,401,111)	3,211,950

31 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$	Lease liabilities S$	Finance lease S$	Total S$
At 31 December 2018	5,599,814	—	324,656	5,924,470
Adoption of IFRS 16 (Note 2)	—	1,213,465	(324,656)	888,809
New lease liabilities	—	1,275,780	—	1,275,780
Financing cash flows[(i)]	(1,998,068)	(485,906)	—	(2,483,974)
Other changes[(ii)]	—	(197,607)	—	(197,607)
At 31 December 2019	3,601,746	1,805,732	—	5,407,478

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2019

31 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(Continued)

	Borrowings	Obligations under finance leases	Amount due to a director	Amount due to ultimate holding company	Total
	S$	S$	S$	S$	S$
At 1 January 2018	4,339,301	458,411	100,994	80,526	4,979,232
Financing cash Flows[(i)]	1,260,513	(133,755)	(100,994)	(80,526)	945,238
At 31 December 2018	5,599,814	324,656	—	—	5,924,470

(i) The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

(ii) Other changes include interest accruals and payments.

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 21 and 22 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.

33 FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group	As at 31 December	
	2019	2018
	S$	S$
Financial assets*		
— *Amortised cost*		
Trade receivables	**20,943,010**	6,451,736
Deposits	**156,752**	173,035
Bank balances and cash	**4,812,146**	16,962,802
Total	**25,911,908**	23,587,573
Financial liabilities*		
— *Amortised cost*		
Trade and other payables	**9,697,949**	8,335,599
Borrowings	**3,601,746**	5,599,814
Total	**13,299,695**	13,935,413

* *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, lease liabilities, obligation under finance leases 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 obligation under finance leases and lease liabilities (Note 21). 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 2019 would decrease/increase by approximately S$18,009 (2018: S$27,999).

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**	
	2019	2018	**2019**	2018
	S$	S$	**S$**	S$
Hong Kong Dollar	**—**	(134,396)	**4,406,816**	6,612,045

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 2019 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)	
	2019	2018
	S$	S$
HK$ against S$		
— strengthened	**220,341**	323,882
— weakened	**(220,341)**	(323,882)

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

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 2019 on trade receivables from the Group's top five major customers accounted for 97% of the Group's total trade receivables. The major customers of the Group are certain reputable organisations.

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	Amount is less than 30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL-not credit-impaired
In default	Amount is 90 days past due or 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

33 FINANCIAL INSTRUMENTS *(Continued)*

(c) Credit risk *(Continued)*

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 2019.

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

(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 19 to the financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2019

33 FINANCIAL INSTRUMENTS *(Continued)*

(d) Liquidity risk *(Continued)*

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 2019								
Non-interest bearing								
Trade payables and other payables	—	9,697,949	—	—	—	—	9,697,949	9,697,949
Interest bearing instruments								
Lease liabilities (Fixed rate) (Note 21)	5.14	191,100	188,467	243,881	1,378,250	—	2,001,698	1,805,732
Trade financing — secured and guaranteed (Note 22)	3.09	1,894,244	—	—	—	—	1,894,244	1,888,897
Revolving credit (Note 22)	3.30	500,598	—	—	—	—	500,598	500,000
Bank loans — secured and guaranteed (Note 22)	3.59	35,072	34,974	69,654	520,844	925,956	1,586,500	1,212,849
Total		12,318,963	223,441	313,535	1,899,094	925,956	15,680,989	15,105,427
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) (Note 21)	4.79	38,109	38,109	76,218	194,639	—	347,075	324,656
Trade financing — secured and guaranteed (Note 22)	2.88	4,299,838	—	—	—	—	4,299,838	4,289,566
Bank loans — secured and guaranteed (Note 22)	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

(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 EVENTS AFTER THE REPORTING PERIOD

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

Summary of Financial Information

	2019 S$	2018 S$	2017 S$	2016 S$	2015 S$
RESULTS					
Revenue	50,851,802	50,117,397	27,890,048	22,003,922	35,968,343
Cost of services	(39,038,620)	(37,898,474)	(20,836,596)	(15,684,125)	(29,689,389)
Gross profit	11,813,182	12,218,923	7,053,452	6,319,797	6,278,954
Other income	222,021	216,862	281,903	298,202	407,579
Other gains (loss)	3,498	(510)	39,359	24,515	12,458
Selling expenses	(208,486)	(377,869)	(173,856)	(212,213)	(309,877)
Administrative expenses	(3,959,622)	(3,856,821)	(2,834,115)	(2,893,379)	(3,097,278)
Other expenses	(814,858)	—	(3,879,260)	(14,890)	(251,500)
Finance costs	(189,202)	(175,149)	(143,006)	(124,691)	(74,086)
Profit before taxation	6,866,533	8,025,436	344,477	3,397,341	2,966,250
Income tax expense	(1,538,437)	(1,482,936)	(755,671)	(163,321)	(90,469)
Profit (Loss) for the year	5,328,096	6,542,500	(411,194)	3,234,020	2,875,781
Other comprehensive expense for the year	(5,024)	(2,441)	—	—	—
	5,323,072	6,540,059	(411,194)	3,234,020	2,875,781
ASSETS AND LIABILITIES					
Non-current assets	8,388,966	4,064,002	4,629,900	5,409,018	5,867,521
Current assets	39,449,933	37,263,534	33,212,622	11,559,799	15,273,414
Current liabilities	14,594,393	14,363,264	17,183,827	5,078,702	12,236,653
Net current assets	24,855,540	22,900,270	16,028,795	6,481,097	3,036,761
Non-current liabilities	2,424,907	1,467,745	1,702,227	1,963,083	2,211,270
Net assets	30,819,599	25,496,527	18,956,468	9,927,032	6,693,012