

GT STEEL

Construction Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8402

ANNUAL REPORT 2017

CHARACTERISTICS OF THE 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given that the emerging nature of 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.

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This report, for which the directors (the “**Directors**”) of GT Steel Construction Group Limited (the “**Company**”) collectively and individually accept full responsibility, include particulars given in compliance with the Rules Governing the Listing of Securities on the 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 and 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 audit committee)
Ms. Chooi Pey Nee
Mr. Tan Yeok Lim

NOMINATION COMMITTEE MEMBERS

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

REMUNERATION COMMITTEE MEMBERS

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

COMPLIANCE OFFICER

Mr. Ong Cheng Yew

COMPANY SECRETARY

Mr. Chan Hank Daniel

AUTHORISED REPRESENTATIVES

Mr. Ong Cheng Yew
Mr. Chan Hank Daniel

COMPLIANCE ADVISER

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

AUDITOR

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

64 Woodlands Industrial Park E9
Woodlands Industrial Park E
Singapore 757833

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

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

Corporate Information (Continued)

**PRINCIPAL SHARE REGISTRAR AND
TRANSFER OFFICE IN CAYMAN ISLANDS**

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman KY1-1111

Cayman Islands

**HONG KONG BRANCH SHARE REGISTRAR
AND TRANSFER OFFICE**

Union Registrars Limited

Suites 3301-04, 33/F,

Two Chinachem Exchange Square

338 King's Road

North Point

Hong Kong

PRINCIPAL BANKER

Malayan Banking Berhad

Bukit Timah Business Centre

114-116 Upper Bukit Timah Road

Singapore 588172

CIMB Bank Berhad

50 Raffles Place

#09-01

Singapore Land Tower

Singapore 048623

COMPANY'S WEBSITE

www.gt-steel.com.sg

STOCK CODE

8402

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of GT Steel Construction Group Limited (the "**Company**"), I am pleased to present the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2017.

PERFORMANCE

For the year ended 31 December 2017, the Group recorded a 26.7% increase in revenue from approximately S\$22,004,000 in 2016 to S\$27,890,000 in 2017. Gross profit and loss after tax of the Group were approximately S\$7,053,000 and approximately S\$411,000 respectively.

Increase in revenue was primarily attributable to several high contracts recognised during the financial year ended 31 December 2017. Loss after tax was mainly affected by listing expenses of \$3,879,000, and excluding the listing expenses, the profit before tax margin for the Group would be 15.14% (2016: 15.44%).

LISTING ON GEM OF THE STOCK EXCHANGE

This financial year was very meaningful for the development of the Group as we were successfully listed on GEM on 17 November 2017 (the "Listing Date"), representing a major milestone for the Group.

OUTLOOK

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

Those large scale projects will increasingly demand greater design and consultancy skills from the steel fabricators, which will in turn enhance their skills and productivity making them more valuable for future projects. Our industry will be in a good position not just for Singapore projects but also for Malaysia Projects across the causeway in the Iskandar area.

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

Chairman's Statement (Continued)

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,

20 March 2018

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue and Results

For the year ended 31 December 2017, the Group recorded revenue of approximately S\$27,890,000 (2016: approximately S\$22,004,000) and loss of approximately \$411,000 (2016: profit of approximately S\$3,234,000).

Revenue had increased by 26.7% due to several high contracts recognised during the financial year.

The gross profit for the year ended 31 December 2017 was approximately S\$7,053,000 (2016: approximately S\$6,320,000). The gross profit margin was maintained at approximately 25% to 28% for the financial year ended 31 December 2017 and 2016.

Other gains included gain arising from disposal on property, plant and equipment.

Selling and administrative expenses for the year ended 31 December 2017 was approximately S\$3,008,000 (2016: approximately S\$3,106,000) representing a decrease of S\$98,000 mainly due to lower expenses incurred for insurance and upkeep of equipment and vehicles.

Other expenses for the year ended 31 December 2017 included approximately S\$3,879,000 listing expenses.

The Group recorded a profit before tax for the year ended 31 December 2017 of approximately S\$344,000 (2016: approximately S\$3,397,000) representing a decrease of S\$3,053,000 as compared with the corresponding period of last year. This was mainly due to the listing expenses incurred of S\$3,879,000. Excluding the one-off listing expenses, the profit before tax for the year ended 31 December 2017 would have been approximately S\$4,223,000, representing an increase of S\$826,000 or 24.3%.

Loss for the year ended 31 December 2017 was approximately S\$411,000, representing a decrease of S\$3,645,000 as compared with profit of approximately S\$3,234,000 for the corresponding period in 2016.

Liquidity and Financial Resources

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

For the period under review, the Group raised net proceeds from issuance of share capital of approximately S\$6,190,000. The net cash used in operating activities of approximately S\$179,000.

As at 31 December 2017, the Group's borrowings comprised the obligations under finance lease of approximately S\$458,000 (2016: approximately S\$599,000) and bank borrowings of approximately S\$4,339,000 (2016: approximately S\$3,190,000).

Management Discussion and Analysis (Continued)

The Group had cash and cash equivalents of approximately S\$11,230,000 (2016: approximately S\$786,000) which were placed with major banks in Singapore, Hong Kong and Malaysia.

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 (as defined below) in Hong Kong Dollar, which exposed the Group to foreign exchange risk arising from the fluctuations of exchange rate for Hong Kong Dollar against Singapore Dollars. The Group does not have a foreign currency hedging policy but it continuously monitors its foreign exchange exposure and will apply appropriate measures if necessary.

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

On 28 December 2017, the ultimate holding company of the Company transferred its 100% effective shareholding of G Tech Structures Sdn Bhd (“GTS”) to G-Tech Metal Pte Ltd for a consideration of approximately S\$80,526 (MYR 250,000). This transaction has been accounted for by the merger accounting method. Included in the Group’s profit for the year is S\$26,988 attributable to the additional business generated by GTS. Revenue generated by GTS is S\$202,569.

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

Charges on Group’s Assets

The Group has total present value of lease obligations under finance lease, which are secured by the relevant leased machinery motor vehicles amounting to approximately S\$585,000 (2016: S\$736,000).

Contingent Liabilities

As at 31 December 2017, the Group did not have any contingent liabilities.

Capital Commitments

As at 31 December 2017, the Group did not have any capital commitments.

Employee Information

As at 31 December 2017, the Group had an aggregate of 110 (2016:138) employees.

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

Total staff costs, including Directors’ emoluments, amounted to approximately S\$3,756,000 for the year ended 31 December 2017 (2016: approximately S\$4,983,000).

Management Discussion and Analysis (Continued)

Comparison of Business Objectives with Actual Business Progress

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

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

The Group will implement these business objectives and such planned business expenses in 2018.

Use of Proceeds from the Share Offer

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

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

- (i) approximately 56.7% of the net proceeds, or approximately HK\$20.4 million for the purchase of a new fabrication facility in Singapore to increase the production capacity;
- (ii) approximately 41.0% of the net proceeds, or approximately HK\$14.7 million for the purchase of new machineries for new fabrication facility in Singapore to increase the production capacity;
- (iii) approximately 2.3% of the net proceeds, or approximately HK\$0.8 million for the expansion of workforce to support business expansion.

As at 31 December 2017, the Company has yet to utilise the net proceeds of approximately HK\$35.9 million raised from the Share Offer in accordance with the intended use of proceeds set out in the Prospectus. The unutilised net proceeds have been placed as interest bearing deposits with a licensed bank in Hong Kong.

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

Management Discussion and Analysis (Continued)

BUSINESS REVIEW

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.

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\$27,890,000 and S\$22,004,000 for the year ended 31 December 2017 and 2016, respectively. The increase in the revenue for the current financial year was mainly due to the Group being involved in a larger number of projects, which in turn was attributable to the Group being more active in submitting tenders for projects and better implementation of project management.

During the current financial year, the profit before taxation and net loss was approximately S\$344,000 and S\$411,000 respectively.

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

Those large scale projects will increasingly demand greater design and consultancy skills from the steel fabricators, which will in turn enhance their skills and productivity making them more valuable for future projects. Our industry will be in a good position not just for Singapore projects but also for Malaysia Projects across the causeway in the Iskandar area.

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

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Ong Cheng Yew, aged 49, 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 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 47, joined our Group as an accountant since July 2003 and was appointed as our Director on 1 February 2017 and re-designated as our Executive Director on 3 March 2017. She is a member of the nomination committee. Ms. Koh is mainly responsible for financial and accounting matters of our Group. Ms. Koh graduated as a Certified Accounting Technician of the Association of Chartered Certified Accountants in June 2008. Ms. Koh has approximately 10 years of experience in the structural steelworks industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tam Wai Tak Victor, aged 40, was appointed as our Independent Non-Executive Director on 21 June 2017. He is currently the chairman of the audit committee and a member of the remuneration and nomination committees. Mr. Tam graduated with a degree of Bachelor of Arts in Accounting & Finance (First Class Honours) from the University of Glamorgan (now known as the University of South Wales) in June 2001. He was admitted as a fellow member of the Association of Chartered Certified Accountants in February 2010 and a member of the Hong Kong Institute of Certified Public Accountants in July 2005.

Mr. Tam has more than 14 years of experience in the field of auditing, accounting and financial management. Other than his directorship in the Company, Mr. Tam is also currently an independent non-executive director of Shun Wo Group Holdings Limited (stock code: 1591) and Twintek Investment Holdings Limited (stock code: 6182), the shares of which are listed on the Main Board of the Stock Exchange and Cool Link (Holdings) Limited (stock code: 8491), the shares of which are listed on the GEM.

Directors and Senior Management Profile (Continued)

Ms. Chooi Pey Nee, aged 50, was appointed as our Independent Non-Executive Director on 21 June 2017. She is currently the chairwoman of the remuneration committee and a member of the audit and nomination committees. Ms. Chooi has more than 23 years of professional experience in audit, dealing in securities, operations of fund management companies and compliance. Ms. Chooi graduated from University of Malaya, Malaysia with a degree of Bachelor of Accounting in July 1993.

Mr. Tan Yeok Lim, aged 46, was appointed as our Independent Non-Executive Director on 21 June 2017. He is currently the chairman of the nomination committee and a member of the audit and remuneration committee. Mr. Tan has more than 20 years of working experience in police intelligence, shipyard/vessel, marine logistics and petroleum products, and is currently the director of business development at NIPO International Pte. Ltd.

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

SENIOR MANAGEMENT

Mr. Chelliah Thennavan, aged 48, joined our Group as a Senior Project Manager on 15 January 2010. Mr. Thennavan is currently our Project Director and is responsible for the overall management of the structural steelworks projects. Mr. Thennavan graduated from University of Madras, India with a Bachelor of Engineering (Mechanical Engineering) (First Class Honours) in December 1991.

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

Mr. Wee Hian Yeong, aged 63, joined our Group as a Senior Operation Manager on 1 January 2013. Mr. Wee is currently our Operation Director and is responsible for the effective execution of our structural steelworks projects. Mr. Wee has over 20 years of experience in the structural steelwork Industry.

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

Directors and Senior Management Profile (Continued)

COMPANY SECRETARY

Mr. Chan Hank Daniel, aged 43, was appointed as the company secretary of our Company on 3 March 2017. Mr. Chan is currently a partner at Michael Li & Co., the legal advisor to our Company as to Hong Kong laws. Mr. Chan has been the company secretary of Global Strategic Group Limited since October 2016. 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 10 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 Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”). In the opinion of the Board, the Company has complied with the CG Code from the Listing Date up to the date of this report. Details of the Group’s corporate governance practices adopted by the Board are set out in the Corporate Governance Report on pages 14 to 22 of this report.

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 2017.

BOARD OF DIRECTORS

The Company is governed by the Board of Directors 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 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

Corporate Governance Report (Continued)

DIRECTORS' ATTENDANCE AT BOARD MEETING

From the Listing Date (17 November 2017) up to the date of this report, the Board held 1 board meeting and the attendance of each director is set out as follows:

Directors	Number of attendance
Mr. Ong Cheng Yew	1/1
Ms. Koh Siew Khing	1/1
Mr. Tam Wai Tak Victor	1/1
Mr. Chooi Pey Nee	1/1
Mr. Tan Yeok Lim	1/1

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 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.

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.

Corporate Governance Report (Continued)

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.

From the Listing Date (17 November 2017) up to the date of this report, the Audit Committee held 2 meetings and 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	2/2
Mr. Chooi Pey Nee	2/2
Mr. Tan Yeok Lim	2/2

Corporate Governance Report (Continued)

REMUNERATION COMMITTEE

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

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

From the Listing Date (17 November 2017) up to the date of this report, the Remuneration Committee held 2 meetings and the attendance of each committee member is set out as follows:

Remuneration committee members	Number of meetings attended/held
Mr. Tam Wai Tak Victor	2/2
Mr. Chooi Pey Nee	2/2
Mr. Tan Yeok Lim	2/2

NOMINATION COMMITTEE

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

The nomination committee consists of one Executive Director, Ms. Koh Siew Khing and three independent Non-Executive Directors namely Mr. Tam Wai Tak Victor, Ms. Chooi Pey Nee and Mr. Tan Yeok Lim serves as the chairman of the nomination committee.

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

Corporate Governance Report (Continued)

From the Listing Date (17 November 2017) up to the date of this report, the Nomination Committee held 2 meetings and the attendance of each committee member is set out as follows:

Nomination committee members	Number of meetings attended/held
Mr. Tam Wai Tak Victor	2/2
Mr. Chooi Pey Nee	2/2
Mr. Tan Yeok Lim	2/2
Ms. Koh Siew Khing	2/2

FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the accounts of the Company. As at 31 December 2017, 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 2017.

AUDITOR'S REMUNERATION

The remuneration paid/payable to the Company's external auditor, Deloitte & Touche LLP, for the year ended 31 December 2017, is set out as follows:

	Fees paid/payable (\$)
Annual audit services	120,000
Professional services in connection with the Listing of the Company	215,000
Internal control assessment	86,000
Total	<u>421,000</u>

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

Corporate Governance Report (Continued)

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

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

For the year ended 31 December 2017, the Group did not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness during the year. The Board will review and consider establishing an internal audit function as and when it thinks necessary.

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

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

COMPANY SECRETARY

Mr. Chan Hank Daniel, aged 43, 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 advisers to our Company as to Hong Kong laws. Mr. Chan has been the company secretary of Global Strategic Group Limited since October 2016. 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.

Corporate Governance Report (Continued)

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 result 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.

Corporate Governance Report (Continued)

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 period from the Listing Date to the date of this report, 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.

Corporate Governance Report (Continued)

ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

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

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

Environmental, Social and Governance Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is the first environmental, social and governance (“ESG”) Report prepared by GT Steel Construction Group Limited (hereinafter referred as “We”, “GT Steel”, the “Company”), with reference to the ESG Reporting Guide in Appendix 20 published by Stock Exchange of Hong Kong Limited (“SEHK”). The ESG report covers the financial year from 1 January 2017 to 31 December 2017 with the scope confined to our major business segment — design, supply, fabricate and erect structural steelworks for the construction of buildings, with two factories in Singapore.

Our corporate objective is to achieve sustainable growth in our business and financial performance so as to create long-term shareholder value. We acknowledge our responsibility to the environment and society at large, and have established a Quality, Environmental and Occupational Health & Safety Management System (“QEHS” system). The QEHS system was certified with international standards, ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007, to ensure the continuous improvement of our quality, environmental and occupational health and safety performance. We also obtained bizSAFE Level Star which marks our excellence and commitment to safety.

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 endeavour to provide relevant training for our employees, and ensure effective communication to all employees and stakeholders, including proper control of documents in our systems manuals, to enforce and reinforce our QEHS system.

OUR ENVIRONMENT

The Building and Construction Authority of Singapore is pursuing a programme of green buildings with a target of designating 80% of the buildings in Singapore as “green”. This will include minimising the use of concrete in buildings by 2030. GT Steel supports this target through our products and services in structural steelworks to aid the greening of Singapore.

We are committed to comply 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.

Environmental, Social and Governance Report (Continued)

Air Pollution Control

Air emissions from the motor vehicles are the major source of air pollution within GT Steel operation. To mitigate air pollution, we have electricity-driven mobile machineries to replace the traditional use of diesel fuel. The following table shows the emissions of key air pollutants within GT Steel operation in 2017:

	Nitrogen Oxides (NOx)	Sulphur Oxides (SOx)	Particulate Matter (PM)
Air Emissions (kg)	607.2	1.3	57.7

Greenhouse Gas and Resource Management

We strive to use our resources efficiently, not only because it reduces our cost, but also because it is good for our planet. Energy and resource conservation practices are in place to raise awareness of our employees in creating a better environment. Some common resource management practices and procedures include 'work hours' and 'after work hours' operations. These include practices such as, the turning off of all electric power switches for unused equipment or appliances after work hours and operations, or when unused during work hours, for energy conservation purposes; and also, the last employees to leave the room or office premises must switch off all the lights and air-conditioning. Water conservation examples include turning all water taps off after use and reporting any leaks immediately. GT Steel also uses energy efficient equipment, including four Computer Numerical Controlled ("CNC") steel cutting machines and two CNC drilling machines for our fabrication process.

The following summarises the resources consumed and corresponding intensities within our operation in 2017:

	Energy (GJ)	Water (Cubic meter)	Paper (kg)
Consumption	3,841.7	8,775.1	1,347.2
Intensity (Unit/million SGD)	135.7	310.0	47.6

Environmental, Social and Governance Report (Continued)

Based on our resources consumption, greenhouse gas (“GHG”) emissions were estimated with reference to the ‘Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional purposes) in Hong Kong’ developed by the Hong Kong Environmental Protection Department and the Electrical and Mechanical Services Department. The following is the breakdown of the GHG emissions within our operations in 2017:

	GHG Emissions (t CO ₂ e)
Scope 1	223.1
Scope 2	110.8
Scope 3	11.7
Total	345.6
Carbon Intensity (t CO ₂ e/million SGD)	12.2

Waste Management

Steel is the major raw material in our operations. Being one of the most commonly recycled building materials, our operation does not generate significant amount of waste.

Our fabrication process, which is predominantly the 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 steelworks to the project site, the steelworks are pre-engineered to the correct dimensions and hence, no site waste is generated.

HEALTH AND SAFETY

Steel is an inherently safe construction material due to its offsite factory fabrication under a controlled-environment, and efficient onsite erection by skilled workers. Even so, GT Steel is conscious that certain activities present risks and dangers, for example, employees who work with heavy machinery and tools in the factories are exposed to risks such as equipment failure, industrial accidents and fire; while one of the risks of steel erection works at project sites is working at height.

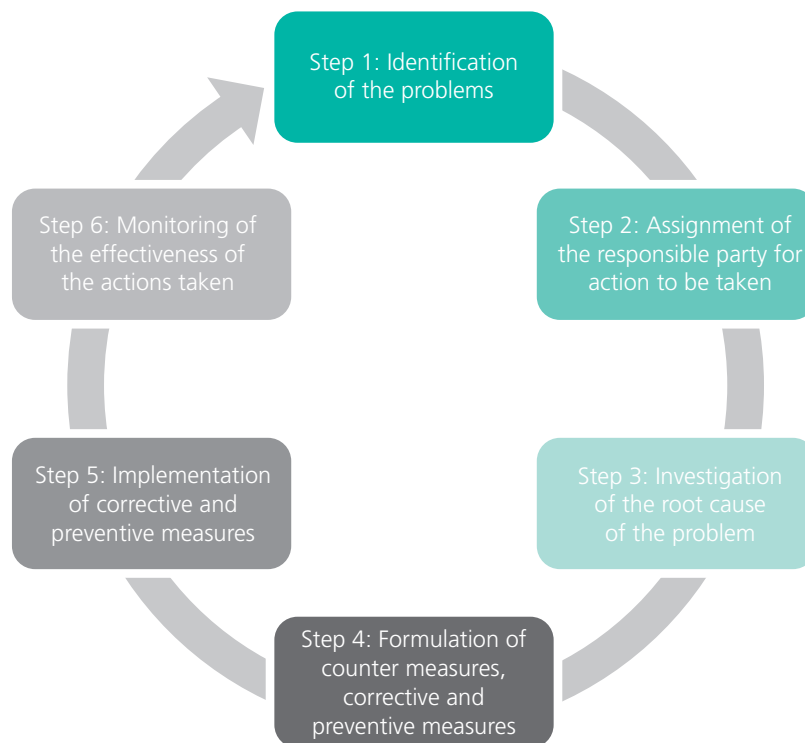
We have implemented and continue to maintain all necessary safety measures in our factories, and throughout the duration of any erection works at project sites to ensure Occupational Health and Safety (“OHS”) compliance, failure to do so can cause harm to our employees and lead to the risk of disruption to our business.

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.

Environmental, Social and Governance Report (Continued)

OHS Management System

In ensuring operational safety, an effective OHS management system has been established. Under the OHS management system, we have a six-step action plan in place for the identification, correction and prevention of occupational health and safety hazards:



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 systems 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.

Create a Safe and Healthy Workplace

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. These procedures ensure our employees are educated on potential OHS risks, and that day-to-day operations are carried out in a safe manner. They also serve to reduce the impact of associated risks that may affect employees.

Environmental, Social and Governance Report (Continued)

To further mitigate safety risks, we implemented additional preventative measures, such as the securing of construction materials with netting to prevent unwanted movement and falling of objects; providing toolboxes to workers to secure their tools and small construction materials while climbing and moving at the construction sites; and designated no-entry areas during lifting operations.

However, we recognise that accidents can still occur, and have therefore developed plans and procedures to identify the potential for, and responses to incidents and emergencies. All employees are encouraged to report all accidents, no matter how minor they may seem, to ensure proper medical treatment and safety precautions to prevent future recurrence.

Promote Health and Safety Awareness

The competency of our employees is vital to reducing accidents. Therefore, training needs are identified and provided to employees whose work may create significant OHS impacts. Training courses, such as workplace safety and health training, operation of forklifts, scissors lifts and boom lifts, and first aid courses to name a few, are provided.

Foreign workers must take a safety course and pass the Construction Safety Orientation Course before their Work Permits can be issued. This course ensures that construction workers are properly trained to use personal protective equipment not commonly used in their home territories; Ensuring that they are familiar with common safety requirements and health hazards in the industry by educating them on the required measures to prevent accidents and diseases, and that they are aware of their rights and responsibilities under Singapore employment law.

We also engage external parties to conduct safety campaigns with demonstrations on hand-safety and working safely at heights.

OUR CUSTOMERS

As a subcontractor/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 customers' safety and regulatory requirements. In doing so, our Quality Management System, which is certified with ISO 9001, is in place to ensure we operate in compliance with all laws and regulations, and for continuous improvement.

Supply Chain Management

To provide quality products to our customers, GT Steel firmly believes that our responsibility begins with our supply chain. Our main purchases are steel parts and rental of machineries sourced locally from suppliers in Singapore. We may engage subcontractors to provide services such as galvanising works, painting or electrical works, which we do not typically provide in-house, and to carry out certain steel fabrication works and site installation works to better allocate our resources for our projects' needs. It is our responsibility to ensure the health and safety of the raw materials we use, and the performance of subcontractors.

In doing so, we maintain an approved vendor list for suppliers and subcontractors who have passed our assessment criteria. Suppliers and subcontractors are assessed on five major criteria before being approved on the vendor list, which are: market reputation; existence of an effective quality, environmental, health and

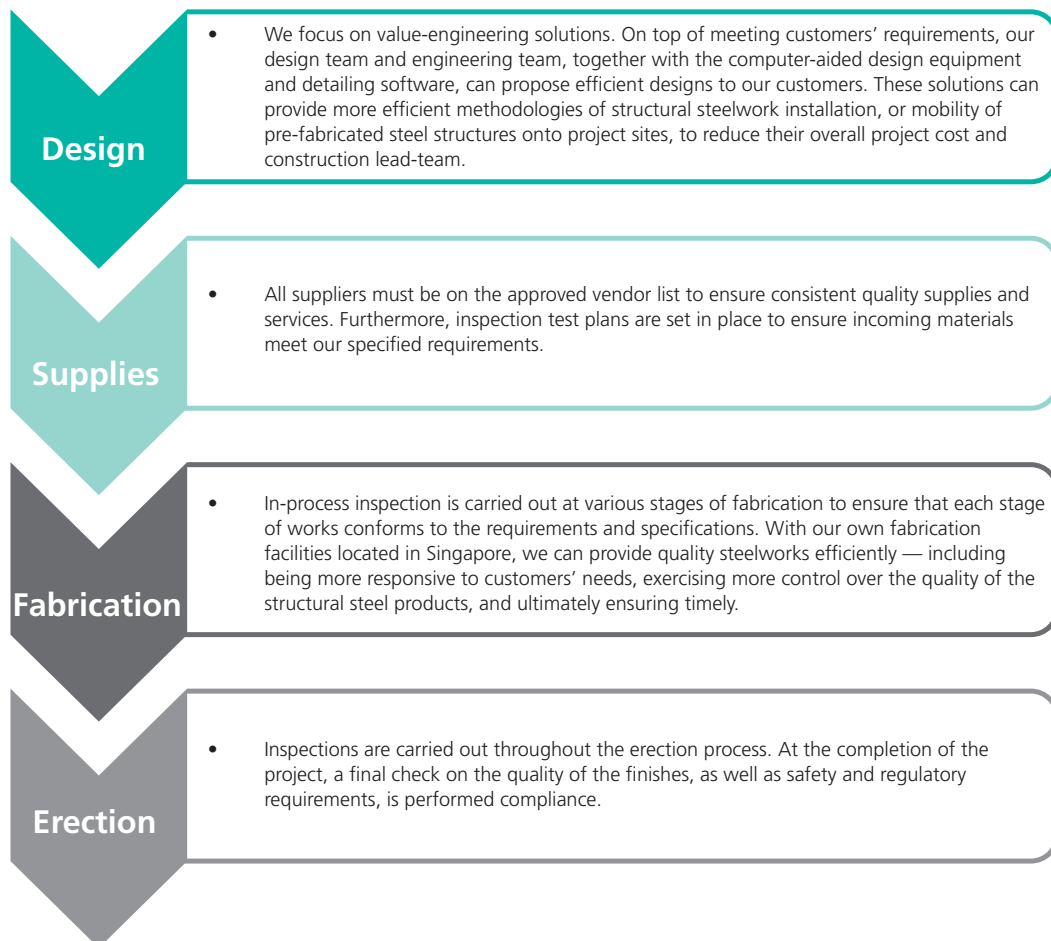
Environmental, Social and Governance Report (Continued)

safety system; response to our request for services; reliability of product or services procured; and quality of samples provided. 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.

As subcontractors may engage in high safety-risk work, we further evaluate their safety performance based on their corporate safety policies and management systems and other relevant documents. After a subcontractor is engaged, 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.

Exceed Customers' Expectations

We strive to exceed our customers' expectations by focusing and providing high quality products and services that they desire. Under our QMS, 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.



Environmental, Social and Governance Report (Continued)

To communicate and understand our customers, a customer complaint policy was set up to handle and resolve customers' inquiries in a timely manner. We also invite our customers to participate in our customer satisfaction survey at the conclusion of each project to proactively understand our customers' views. These surveys act as a tool to improve our performance and customers' satisfaction in the future.

OUR EMPLOYEES

Human Resource ("HR") management is an integral part of GT Steel's overall business strategy. An effective HR management system helps to attract and retain competent employees, assist employees in adapting to organisational changes, and facilitate the use of technology to determine how and where work can be better carried out. We aim to create a work environment that promotes harmonious employer-employee relations.

Human Resource Management and Labour Standards

Labour standards and human rights requirements stated in relevant rules and regulations are strictly abided by to provide employees with their deserved benefits and protection, including compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, and other benefits and welfare. Child and forced labour are strictly prohibited in the workplace; we are fully in compliance with the Ministry of Manpower of Singapore ("MOM") Anti Child Labour Policy and MOM Prohibition of Forced Labour Policy.

GT Steel is an equal opportunity employer that does not discriminate against age, gender, race and religion. We recruit and select based on candidates' merits, qualifications, competencies attributes and experience.

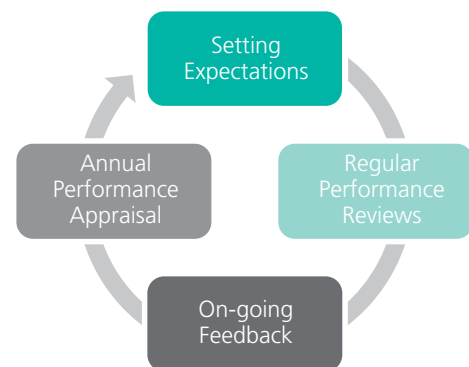
Training and Development

We believe that GT Steel will succeed if our people are well developed. We, therefore, invest in the growth of our people to upgrade their respective competencies, and in turn, allow them to perform their individual jobs effectively.

We are committed to supporting the performance improvement, development and growth of all our employees across all levels, and have an effective performance management and appraisal process in place.

The result of the annual performance appraisal also forms the basis of monetary incentives and/or promotions. After the annual performance appraisal, follow-up actions, including on-the-job and off-the-job training, can be planned and implemented according to the various departmental needs and the scope of work of individual employees.

A wide range of training is provided either internally and/or externally, depending on departmental and individual needs. Apart from technical knowledge, areas on quality, environmental, health and safety are also covered. Employees who have completed training courses are required to provide feedback on their respective courses through an end-of-learning evaluation form to monitor the effectiveness of training.



Environmental, Social and Governance Report (Continued)

Integrity in Business

Employees are required to comply with the Professional Code of Conduct which sets out guidelines that outline the behaviours and situations in business expected of our employees.

In particular, we strictly prohibit any form of corruption, bribery or fraud in business. Employees are not allowed to accept, keep or ask for gifts and/or entertainment services of any kind or value from vendors and customers. We also take confidentiality seriously. Rules are set up to handle confidential information, as well as to restrict all our employees from leaking any confidential information relating to GT Steel or our customers, to external parties. In any instances of misconduct, including breach of confidentiality 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.

GT Steel has also implemented a whistle blowing system for the reporting of any concerns or complaints about malpractice, impropriety, statutory non-compliance or wrongdoing. The policy is open to employees, as well as outside parties, including suppliers, customers, contractors, and other stakeholders.

APPENDIX 1: SEHK ESG REPORTING GUIDE INDEX

SEHK ESG Reporting Guide General Disclosures		Reference Section/Remark
A. Environment		
A1 Emission	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, etc.	Our Environment
KPI A1.1	The types of emissions and respective emissions data.	Air Pollution Control
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Greenhouse Gas and Resource Management
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable — No hazardous waste is generated
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, please refer to the section "Waste management"
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Greenhouse Gas and Resource Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Management
A2 Use of Resource	Policies on efficient use of resources including energy, water and other raw materials.	Our Environment — Greenhouse Gas and Resource Management
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).	Greenhouse Gas and Resource Management

Environmental, Social and Governance Report (Continued)

SEHK ESG Reporting Guide General Disclosures		Reference Section/Remark
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Greenhouse Gas and Resource Management
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Greenhouse Gas and Resource Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Greenhouse Gas and Resource Management
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 the delivery of steel products are insignificant.
A3 The Environment and Natural Resources	Policies on minimising the operation's significant impact on the environment and natural resources.	Our Environment
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Not applicable. We do have significant impacts of activities on the environment and natural resources.
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.	Human Resource Management and Labour Standards
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.	Health and Safety
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Training and Development
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.	Human Resource Management and Labour Standards
B5 Supply Chain Management	Policies on managing environmental and social risks of supply chain.	Supply Chain Management
B6 Product Responsibility	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Our Customers

Environmental, Social and Governance Report (Continued)

SEHK ESG Reporting Guide General Disclosures		Reference Section/Remark
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.	Integrity in Business
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.	Our Group did not have charitable contributions as at 31 December 2017. GT Steel is in consideration of setting up policy on community investment in the future.

Report of the Directors

The Board of Directors of the Company is pleased to present their first report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

GROUP REORGANISATION

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

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

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

RESULTS AND APPROPRIATIONS

The Group's financial performance for the year ended 31 December 2017 is set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 48 of this report and the financial position of the Group as at 31 December 2017 is set out in the Consolidated Statement of Financial Position on page 49 to 50 of this report. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the past three years ended 31 December 2017 is set out on page 110 of this report. This summary does not form part of the audited financial statements.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 December 2017, 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.

Report of the Directors (Continued)

Liquidity Risk

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

Foreign Exchange Exposure

The Group transacts mainly in Singapore dollars, which is the functional currency of the Group. However, the Group retains the proceeds from the Share Offer in Hong Kong Dollar, which exposed the Group to foreign exchange risk arising from the fluctuations of exchange rate for Hong Kong Dollar against Singapore Dollars. The Group does not have a foreign currency hedging policy but it continuously monitors its foreign exchange exposure and will apply appropriate measures if necessary.

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 2017 are set out in Note 14 to the consolidated financial statements.

BANK BORROWINGS

Details of the Group's obligations under finance leases and bank borrowings as at 31 December 2017 are set out in Notes 22 and 23 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2017 are set out in Note 25 to the consolidated financial statements in this report.

USE OF PROCEEDS FROM THE SHARE OFFER

As at 31 December 2017, the Company has not yet utilised the net proceeds of approximately HK\$35.9 million (approximately S\$6.19 million) raised from the Share Offer in accordance with the intended use of proceeds set out in the Prospectus. Details of the intended uses and utilised amount are set out on page 9 of this report.

RESERVES

Details of change in reserves of the Group and the Company are set out on page 51 of the consolidated statement of changes in equity and page 101 of this report.

Report of the Directors (Continued)

DISTRIBUTABLE RESERVES

The Company did not have distributable reserves as at 31 December 2017, calculated under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as it has accumulated losses.

CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2017, the Group did not make charitable contributions.

EVENT AFTER THE FINANCIAL YEAR

No significant events have taken place subsequent to 31 December 2017 and up to the date of this report.

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2017, sales to the Group's five largest customers accounted for approximately 72.8% of total sales and sales to the largest customer included therein amounted to approximately 20.9% of total sales. The Group's five largest suppliers accounted for approximately 67% of total purchases during the year ended 31 December 2017 and purchases from the largest supplier included therein amounted to approximately 25% 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 2017.

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. Our Group encourages environmental protection and promote awareness towards environmental protection to the employees. Our 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.

Our Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of our 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 our Group that has a significant impact on the business and operations of our Group.

Report of the Directors (Continued)

RELATIONSHIPS WITH STAKEHOLDERS

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

Our 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, our 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 our Group and its business partners, suppliers and customers.

DIRECTORS

The Directors during the year ended 31 December 2017 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 2017, 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 Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Report of the Directors (Continued)

REMUNERATION POLICY

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

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

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

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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

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

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

None of the Directors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party at any time during or at the end of the year ended 31 December 2017.

As of 31 December 2017, 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 2017.

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 2017.

Report of the Directors (Continued)

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 2017, 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) Broadville Limited is wholly-owned by Mr. Ong Cheng Yew. Under the SFO, Mr. Ong Cheng Yew is deemed to be interested in all the shares of the Company held by Broadville Limited.
- (2) Ms. Koh Siew Khing is the spouse of Mr. Ong Cheng Yew and is deemed to be interested in all the shares of the Company in which Mr. Ong is interested in under the SFO.

Save as disclosed above, as at 31 December 2017, 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.

Report of the Directors (Continued)

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

As at 31 December 2017, the register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 December 2017, 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 2017.

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

Since the Listing Date to 31 December 2017, 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 13 to 20 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 Island, 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.

Report of the Directors (Continued)

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 Person

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 Rules Governing the Listing of Securities on the Stock Exchange (the “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.

Report of the Directors (Continued)

(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 2017 and there was no outstanding option as at 31 December 2017.

Report of the Directors (Continued)

AUDITOR

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

On behalf of the Board

Ong Cheng Yew

Chairman and Executive Director

Singapore, 20 March 2018

Independent Auditor's Report

To the Shareholders of GT Steel Construction Group Limited

(Incorporated in the Cayman Islands with limited liability)

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 48 to 109, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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.

Independent Auditor's Report (Continued)

Key Audit Matter**Revenue recognition from construction contracts**

The Group's main revenue is construction revenue from the provision of structural steelwork services. The Group recognises contract revenue and contract cost using the percentage of completion method. The percentage of completion is measured by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs approved by management.

Significant judgement is required in determining the estimated total contract costs. Any change to the total contract costs will impact the percentage of completion, resulting in an impact to the revenue recognised during the year.

The accounting policy for revenue recognition for construction contracts is disclosed in Note 4 and the amount of contract revenue recognised based on the percentage of completion is disclosed in Note 6 to the consolidated financial statements.

Our audit performed and responses thereon

We have performed the following procedures:

- Obtained an understanding and evaluated the design and implementation of relevant controls over the contract revenue and contract costs recognition, and tested the operating effectiveness of the controls.
- Performed substantive tests of details on a sampling basis for contract costs incurred during the year and checked that contract costs incurred was recorded in the correct accounting period.
- For a selection of completed projects during the year on sample basis, we performed retrospective review by comparing the total actual contract costs incurred at completion against the total budgeted contract costs to complete to assess the reliability of management's estimate.
- Re-computed the percentage of completion based on the contract costs incurred for work performed to-date relative to the estimated total contract costs as approved by management and checked that the contract revenue was recognised based on the percentage of completion.
- Assessed the appropriateness and adequacy of the disclosures made in the consolidated financial statements.

Independent Auditor's Report (Continued)

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.

Independent Auditor's Report (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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.

Independent Auditor's Report (Continued)

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

20 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Financial Year ended 31 December 2017

	Note	2017 S\$	2016 S\$
Revenue	6	27,890,048	22,003,922
Cost of services		(20,836,596)	(15,684,125)
Gross profit		7,053,452	6,319,797
Other income	7a	281,903	298,202
Other gains	7b	39,359	24,515
Selling expenses		(173,856)	(212,213)
Administrative expenses		(2,834,115)	(2,893,379)
Other expenses	7c	(3,879,260)	(14,890)
Finance costs	8	(143,006)	(124,691)
Profit before taxation		344,477	3,397,341
Income tax expense	9	(755,671)	(163,321)
(Loss) Profit and total (expense) income for the year	10	(411,194)	3,234,020
Basic (loss) earnings per (S\$ cents)	13	(0.11)	0.90

See accompanying notes to consolidated financial statements.

Consolidated Statement of Financial Position

As At 31 December 2017

	Note	2017 S\$	2016 S\$
Non-current assets			
Property, plant and equipment	14	1,891,692	2,617,544
Investment properties	15	2,738,208	2,791,474
		4,629,900	5,409,018
Current assets			
Trade receivables	16	16,607,505	9,155,811
Deposits, prepayments and other receivables	17	241,751	175,336
Amounts due from customers for construction work	18	5,133,483	1,306,662
Amount due from a director	19a	—	135,653
Bank balances and cash	20	11,229,883	786,337
		33,212,622	11,559,799
Current liabilities			
Trade and other payables	21	12,311,592	2,832,467
Amount due to a director	19b	100,994	—
Amount due to ultimate holding company	19c	80,526	—
Amounts due to customers for construction work	18	770,810	138,138
Obligations under finance leases — due within one year	22	137,141	143,040
Borrowings	23	3,029,919	1,749,147
Income tax payable		752,845	215,910
		17,183,827	5,078,702
Net current assets		16,028,795	6,481,097
Total assets less current liabilities		20,658,695	11,890,115

Consolidated Statement of Financial Position (Continued)

As At 31 December 2017

	Note	2017 S\$	2016 S\$
Non-current liabilities			
Obligations under finance leases — due after one year	22	321,270	455,703
Borrowings	23	1,309,382	1,440,965
Deferred tax liabilities	24	71,575	66,415
		1,702,227	1,963,083
Net assets			
		18,956,468	9,927,032
Capital and reserves			
Share capital	25	827,586	3,000,000
Share premium		8,613,061	—
Merger reserves		2,999,983	—
Accumulated profits		6,515,838	6,927,032
Equity attributable to owners of the Company			
		18,956,468	9,927,032

The consolidated financial statements on pages 48 to 109 were approved and authorised for issue by the Board of Directors on 20 March 2018 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 2017

	Share capital S\$	Share premium (Note A) S\$	Merger reserves (Note B) S\$	Accumulated profits S\$	Total S\$
At 1 January 2016	3,000,000	—	—	3,693,012	6,693,012
Profit and total comprehensive income for the year	—	—	—	3,234,020	3,234,020
At 31 December 2016	3,000,000	—	—	6,927,032	9,927,032
Loss and total comprehensive expense for the year	—	—	—	(411,194)	(411,194)
Transactions with owners, recognised directly in equity:					
Issue of shares on the date of incorporation (Note 25)	—	—	—	—	—
Issue of shares pursuant to the Reorganisation (Notes 2 and 25)	17	—	2,999,983	—	3,000,000
Elimination of share capital pursuant to Reorganisation (Note 2)	(3,000,000)	—	—	—	(3,000,000)
Issue of shares under the capitalisation issue (Note 25)	620,672	(620,672)	—	—	—
Issue of shares under the Share Offer (Note 25)	206,897	10,965,517	—	—	11,172,414
Share issue expenses	—	(1,731,784)	—	—	(1,731,784)
	(2,172,414)	8,613,061	2,999,983	—	9,440,630
At 31 December 2017	827,586	8,613,061	2,999,983	6,515,838	18,956,468

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

Note B: Merger reserves represents the difference between the underlying net assets of the subsidiary which was acquired by the Company pursuant to the Reorganisation (Note 2) and the total par value and share premium amount of the shares issued.

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

For The Financial Year Ended 31 December 2017

	2017 S\$	2016 S\$
Operating activities		
Profit before taxation	344,477	3,397,341
Adjustments for:		
Depreciation of property, plant and equipment	778,545	819,159
Depreciation of investment properties	53,266	53,266
Gain on disposal of property, plant and equipment	(39,359)	(24,515)
Finance costs	143,006	124,691
Impairment and bad debts written off on trade receivables	—	14,890
Operating cash flows before movement in working capital	1,279,935	4,384,832
Movement in working capital:		
(Increase) decrease in trade receivables	(7,451,694)	236,367
(Increase) decrease in deposits, prepayments and other receivables	(66,415)	764,675
Increase in amounts due from customers for construction work	(3,826,821)	(1,040,972)
Increase (decrease) in trade and other payables	9,467,101	(6,011,042)
Increase (decrease) in amounts due to customers for construction work	632,672	(464,593)
Cash generated from (used in) operations	34,778	(2,130,733)
Income taxes paid	(228,292)	(36,483)
Tax refund received	14,716	—
Net cash used in operating activities	(178,798)	(2,167,216)
Investing activities		
Purchase of property, plant and equipment	(89,845)	(271,052)
Proceeds from disposal of property, plant and equipment	76,511	34,915
Net cash inflow on acquisition of subsidiary Note 36 (d)	46,112	—
Repayment from a director	135,653	—
Repayment of advance to a related party	—	30,040
Net cash from (used in) investing activities	168,431	(206,097)
Financing activities		
Issuance of share capital — net of listing expenses	9,440,630	—
Advance from a director	135,408	789,913
Repayment to a director	—	(1,396,569)
Repayment of finance leases	(140,332)	(145,575)
Proceeds from borrowings	7,052,038	5,906,154
Repayment of borrowings	(5,902,849)	(5,071,190)
Interest paid	(130,982)	(124,691)
Net cash from (used in) financing activities	10,453,913	(41,958)
Net increase (decrease) in cash and cash equivalents	10,443,546	(2,415,271)
Cash and cash equivalents at beginning of the year	786,337	3,201,608
Cash and cash equivalents at end of the year	11,229,883	786,337
represented by bank balances and cash		

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

For the Financial Year ended 31 December 2017

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

The Company is an investment holding company and its operating subsidiaries, are engaged in designing, supplying, fabricating and erecting structural steelworks for the construction of buildings including technological plants, industrial buildings, commercial buildings, government institutions and residential buildings and provision of pre-fabricated steel structures or on-site installation services as set out in Note 30.

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

The consolidated financial statements are approved by the Board of Directors of the Company on 20 March 2018.

2 GROUP REORGANISATION AND BASIS OF PREPARATION

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

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

- (i) On 22 December 2016, Broadville Limited ("Broadville", the Company's holding company which is not forming part of the Group) was incorporated in the British Virgin Islands ("BVI") with limited liability and is authorised to issue a maximum of 50,000 shares of a single class, each with a par value of US\$1, of which 1 fully paid share had been allotted and issued at par to Mr. Ong Cheng Yew on 17 January 2017.
- (ii) On 28 November 2016, Chirton Investments Limited ("Chirton Investments") was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1, of which 1 fully paid share has been allotted and issued at par to Broadville on 17 January 2017.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

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

- (iii) On 1 February 2017, the Company was incorporated as an exempted company in the Cayman Islands with limited liability and the initial one nil-paid subscriber share was issued to the initial subscriber and transferred to Broadville at nil-paid on the same day. The authorised share capital of the Company was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each at the time of incorporation.
- (iv) On 16 June 2017, Mr. Ong Cheng Yew transferred the entire issued share capital of G-Tech Metal to Chirton Investments for a consideration which was settled by allotting and issuing one share in Chirton Investments, credited as fully paid, to Broadville at the direction of Mr. Ong Cheng Yew.
- (v) On 21 June 2017, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 shares of HK\$0.01 each by the creation of an additional 4,962,000,000 shares.
- (vi) On 21 June 2017, in consideration of Broadville transferring the entire issued share capital of Chirton Investments to the Company, the Company allotted and issued 9,999 new shares, credited as fully paid, to Broadville. After completion of the above transaction, G-Tech Metal became an indirectly wholly-owned subsidiary of the Company.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared to include the financial statements of the companies now comprising the Group as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the two years ended 31 December 2017, or since their respective dates of incorporation, whichever is a shorter period.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

On 1 January 2017, the Group has adopted all the new and revised IFRSs and Interpretations of IFRS (“IFRIC”) that are effective and relevant to its operations. The adoption of these new/revised IFRSs and IFRIC does not result in significant changes to the Group’s accounting policies and has no material effect on the amounts reported for the current or prior periods.

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

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
IFRS 16	Leases ³
IFRS 17	Insurance Contracts ²
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
IFRIC 23	Uncertainty over Income Tax Treatments ³
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transaction ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 9	Prepayment Features with Negative Compensation ²
Amendments to IFRS 10 And IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IFRS 19	Plan Amendment, Curtailment or Settlement ³
Amendments to IFRS 28	Long-term Interests in Associates and Joint Ventures ³
Amendments to IFRS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle ¹
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle ³

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for annual periods beginning on or after 1 January 2019.

⁴ Effective for annual periods beginning on or after a date to be determined.

Except as described below, the management of the Group considers that the application of the other new and revised standards and amendments is unlikely to have a material impact on the Group’s financial position and performance as well as disclosure.

IFRS 9 *Financial Instruments*

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

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

IFRS 9 *Financial Instruments* *(continued)*

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have 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, are measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39 Financial Instruments, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39 under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)***IFRS 9 Financial Instruments** *(continued)*

In the opinion of the directors of the Company, based on the historical experience of the Group, the historical default rate in outstanding balances from financial assets measured at amortised cost as disclosed above is low. Hence, the directors of the Company anticipate that the application of IFRS 9 would not have material impact on the Group's future consolidated financial statements.

The above assessments were made based on an analysis of the Group's financial assets as at 31 December 2017 on the basis of the facts and circumstances that existed at that date. It is also expected that the adoption of IFRS 9 may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2017.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces 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
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity 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 the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, IASB issued Clarifications to IFRS 15 in relation to identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipates that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timings and amounts of revenue recognised in the respective reporting periods.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

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

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short term leases and leases of low value assets.

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

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

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of S\$765,492, as disclosed in Note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (“IASB”). In addition, the consolidated financial statements includes 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 IAS 17, 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.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

4 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.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

4 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 measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Revenue from construction contracts

Revenue and profits from construction contracts are recognised in accordance with the Group's accounting policy on construction contracts (see below construction contracts policy).

(ii) Revenue from provision of installation and auxiliary services

Revenue from provision of installation and auxiliary services is recognised when the services are provided.

(iii) Interest income

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

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

(iv) Rental income

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

Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period.

The stage of completion, depending on the type of projects, is measured by the contract costs incurred to date as compared to the estimated total contract costs.

Variations in contract work and claims are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are probably recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Costs of construction contracts include costs that relate directly to the specific contract and costs that are attributable to contract activity and can be allocated to the contract. Such costs include but are not limited to material, labour, depreciation and hire of equipment, interest expense, subcontract cost and estimated costs of rectification and guarantee work, including expected warranty costs.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress claims approved by customers, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings approved by customers exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work.

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.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)***Provisions**

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

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

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

Onerous contracts

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

Leasing

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

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.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

The Group as lessor

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

Foreign currencies

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

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

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. Exchange 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.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

4 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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

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

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

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.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)***Property, plant and equipment** *(continued)*

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, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. 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.

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

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

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

Loans and receivables

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

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

Effective interest method

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

Interest income is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)***Financial assets** *(continued)***Impairment loss on financial assets**

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities and equity instruments

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

Financial liabilities

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)***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.

Impairment of tangible assets

At the end of each reporting period, the management of 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.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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.

Construction contracts

The Group recognises contract revenue and contract costs using the percentage of completion method. The percentage of completion is measured by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion of cost incurred for work performed to date relative to the estimated total costs on completion approved by management.

The estimated total contract cost is based on contracted amounts, and in respect of amounts not contracted for, management's estimates of the amounts to be incurred taking into consideration historical trends of the amounts incurred, quotation provided by the major suppliers/subcontractors and the experiences of the management. Significant judgement is required in determining the estimated total costs. Any change to the total contract costs will impact the percentage of completion, resulting in an impact to the revenue recognised during the year. Total contract revenue also includes estimation for variation works that are recoverable from customers. In making these estimates, the Group relies on past experience and the work of surveyors. In addition, the valuation of construction contracts can be subject to uncertainty in respect of variation works and estimation of future costs.

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 assets and liabilities arising from construction contracts are disclosed in Note 18 to the financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)***Estimated impairment of trade receivables**

Management assesses at the end of each reporting period whether there is any objective evidence that trade receivables are impaired. If there is objective evidence that an impairment loss on trade receivables has been incurred, the amount of loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, an impairment may arise. During the year ended 31 December 2017 and 2016, an amount of S\$Nil and S\$14,890 was impaired and written off, respectively. The carrying amounts of the trade receivables are disclosed in Note 16 to the financial statements.

Unbilled revenue

Unbilled revenue representing accrued revenue earned based on time-recorded on an assignment estimated to be recoverable in subsequent financial periods and it is probable that the economic benefits associated with the transaction will flow to the Group. Where the actual collection of receivables upon billing to customers are less than expected, a loss may arise. The carrying amounts of unbilled revenue is disclosed in Note 16 to the financial statements.

6 REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from the provision of construction services, installation and auxiliary services provided by the Group to external customers. The Group's operations is 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 Group's accounting policies described in Note 4. The CODM reviews revenue by category, i.e. provision of services comprising design, supply, fabrication and erection of structural steel-works for the construction of buildings, including technological plants, industrial buildings, commercial buildings, government institutions and residential buildings in Singapore and Malaysia and other installation and auxiliary services by the Group to external customers for the respective reporting period. No analysis of the Group's results, assets and liabilities is regularly provided to the CODM for review. Accordingly, only entity-wide disclosures on services, major customers and geographical information are presented in accordance with IFRS 8 Operating Segments.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

6 REVENUE AND SEGMENT INFORMATION (continued)

An analysis of the Group's revenue for the year is as follows:

	Year ended 31 December	
	2017 S\$	2016 S\$
Revenue from:		
Provision of structural steelworks services	27,890,048	22,003,922
	27,890,048	22,003,922

Major customers

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

	Year ended 31 December	
	2017 S\$	2016 S\$
Customer I	5,827,650	N/A*
Customer II	4,740,509	N/A*
Customer III	4,694,203	N/A*
Customer IV	3,407,243	N/A*
Customer V	N/A*	8,669,416
Customer VI	N/A*	4,000,651
Customer VII	N/A*	2,408,611

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

Geographical information

Revenue based on geographical location of customers are as follows:

	Year ended 31 December	
	2017 S\$	2016 S\$
Singapore	27,687,479	22,003,922
Malaysia	202,569	—
	27,890,048	22,003,922

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

7 A. OTHER INCOME

	Year ended 31 December	
	2017 S\$	2016 S\$
Management fee income (Note)	—	70,000
Insurance claim receipt	21,776	50,107
Government grants	88,529	50,206
Rental income	122,590	105,502
Sundry income	49,008	22,387
	281,903	298,202

Note: The management fee income represents the charges for secondment of project manager to related party (Note 29).

B. OTHER GAINS

	Year ended 31 December	
	2017 S\$	2016 S\$
Gain on disposal of property, plant and equipment	39,359	24,515

C. OTHER EXPENSES

	Year ended 31 December	
	2017 S\$	2016 S\$
Listing expenses	3,879,260	—
Impairment and bad debts written off on trade receivables	—	14,890
	3,879,260	14,890

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

8 FINANCE COSTS

	Year ended 31 December	
	2017 S\$	2016 S\$
Interest on:		
Bank borrowings		
— wholly repayable within five years	67,816	78,965
— not wholly repayable within five years	37,439	23,975
Finance leases	37,751	21,751
	143,006	124,691

9 INCOME TAX EXPENSE

	Year ended 31 December	
	2017 S\$	2016 S\$
Tax expense comprises:		
Current tax		
— Singapore corporate income tax ("CIT")	752,845	195,910
— (Over) under provision in prior years	(2,334)	29,014
Deferred tax expense (Note 24)		
— Current year	5,160	25,601
— Over provision in prior years	—	(87,204)
	755,671	163,321

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

9 INCOME TAX EXPENSE *(continued)*

Singapore CIT is calculated at 17% of the estimated assessable profit eligible for CIT rebate of 50%, capped at S\$25,000 for the Year of Assessment 2017, and adjusted to 40%, capped at S\$15,000 for the Year of Assessment 2018. G-Tech Metal can also enjoy 75% tax exemption on the first S\$10,000 of normal chargeable income and a further 50% tax exemption on the next S\$290,000 of normal chargeable income.

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

	Year ended 31 December	
	2017 S\$	2016 S\$
Profit before taxation	344,477	3,397,341
Tax at applicable tax rate of 17% (2016: 17%)	58,561	577,548
Tax effect of expenses not deductible for tax purpose	757,154	104,626
Tax effect of income not taxable for tax purpose	(6,477)	(2,416)
Effect of tax concessions (Note a)	(54,344)	(458,247)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,889	—
(Over) under provision of current tax in prior years	(2,334)	29,014
Over provision of deferred tax in prior years	—	(87,204)
Others	1,222	—
Taxation for the year	755,671	163,321

Note:

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

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

10 (LOSS) PROFIT FOR THE YEAR

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

	Year ended 31 December	
	2017 S\$	2016 S\$
Audit fees paid to auditors of the Company:		
— Annual audit fees	120,000	66,000
— Audit fees in connection with the listing of the Company	161,250	—
Audit fees paid to member firm of the auditors of the Company:		
— Audit fees in connection with the listing of the Company	217,500	—
Non-audit fees paid to auditors of the Company	64,500	—
Listing expense (Note a)	3,879,260	—
Depreciation of property, plant and equipment		
— Recognised in cost of services	462,059	465,563
— Recognised in administrative expenses	316,486	353,596
Depreciation of investment properties	53,266	53,266
Directors' remuneration (Note 11)	224,481	216,480
Other staff costs		
— Salaries and wages	3,413,667	4,627,516
— Defined contribution plans	87,161	97,177
— Other staff benefits	30,494	41,883
Total staff costs	3,531,322	4,766,576
Cost of materials recognised as expenses	5,330,031	4,532,283
Subcontractor costs recognised as expenses	11,142,622	4,785,568

Note:

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

11 DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS**Directors' and chief executive's emoluments**

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

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

Year ended 31 December 2017

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

Year ended 31 December 2016

	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
	—	—	192,000	24,480	216,480

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

11 DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS *(continued)***Directors' and chief executive's emoluments** *(continued)*

Notes:

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

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

The Independent Non-Executive Directors' emoluments shown above were for their services as directors of the Company.

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

Employees' remuneration

The five highest paid employees of the Group during the year ended 31 December 2017 included two (2016: two) directors, details of whose remunerations are set out above. Details of the remuneration for the remaining three (2016: three) highest paid employees who are not directors of the Company are as follows:

	Year ended 31 December	
	2017	2016
	S\$	S\$
Salaries and allowances	194,327	237,760
Discretionary bonus	56,126	27,480
Contributions to retirement benefits scheme	23,613	32,078
	274,066	297,318

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

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

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

	Number of Employees Year ended 31 December	
	2017	2016
Emolument bands		
Nil to HK\$500,000	2	2
HK\$500,001 to HK\$1,000,000	3	3

12 DIVIDEND

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

13 (LOSS) EARNINGS PER SHARE

	Year ended 31 December	
	2017	2016
(Loss) Profit attributable to the owners of the Company (S\$)	(411,194)	3,234,020
Weighted average number of ordinary shares in issue	374,794,521	360,000,000
Basic (loss) earnings per share (S\$ cents)	(0.11)	0.90

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

The calculation of basic earnings per share is based on the (loss) profit for the year attributable to owners of the Company and the weighted average number of shares in issue. The number of shares for the purpose of basic earnings per share for the year ended 31 December 2016 is based on the assumption that 360,000,000 ordinary shares of the Company are in issue and issuable, comprising an aggregate of 10,000 ordinary shares, 359,990,000 ordinary shares issuable upon capitalisation of share premium, as if the Group Reorganisation was effective on 1 January 2016.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

14 PROPERTY, PLANT AND EQUIPMENT

	Properties erected on leasehold land S\$	Motor vehicles S\$	Office equipment S\$	Plant and machinery S\$	Leasehold improvement S\$	Total S\$
Cost:						
At 1 January 2016	1,500,000	724,170	388,616	1,343,488	704,349	4,660,623
Additions	—	234,300	18,068	144,075	27,879	424,322
Disposals/write-offs	—	(48,800)	—	(48,000)	—	(96,800)
At 31 December 2016	1,500,000	909,670	406,684	1,439,563	732,228	4,988,145
Additions	—	—	30,926	58,919	—	89,845
Disposals/write-offs	—	(263,897)	—	—	—	(263,897)
At 31 December 2017	1,500,000	645,773	437,610	1,498,482	732,228	4,814,093
Accumulated depreciation:						
At 1 January 2016	375,000	195,120	247,933	617,722	202,067	1,637,842
Charge for the year	250,000	134,324	92,286	215,563	126,986	819,159
Elimination on disposals/write-offs	—	(48,800)	—	(37,600)	—	(86,400)
At 31 December 2016	625,000	280,644	340,219	795,685	329,053	2,370,601
Charge for the year	250,000	125,485	64,641	212,059	126,360	778,545
Elimination on disposals/write-offs	—	(226,745)	—	—	—	(226,745)
At 31 December 2017	875,000	179,384	404,860	1,007,744	455,413	2,922,401
Carrying Amounts:						
At 31 December 2016	875,000	629,026	66,465	643,878	403,175	2,617,544
At 31 December 2017	625,000	466,389	32,750	490,738	276,815	1,891,692

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

14 PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

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

Included in the additions of machineries and motor vehicles were assets amounting to S\$Nil (2016: S\$153,270) in aggregate, which were acquired under hire purchase arrangements. These constituted as non-cash transactions during the respective years.

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

	As at 31 December	
	2017 S\$	2016 S\$
Machinery and motor vehicles	585,055	735,962

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

15 INVESTMENT PROPERTIES

	Freehold property S\$	Leasehold properties S\$	Total S\$
Cost:			
At 1 January 2016, 31 December 2016 and 2017	1,581,575	1,386,618	2,968,193
Accumulated depreciation:			
At 1 January 2016	13,179	110,274	123,453
Charge for the year	26,360	26,906	53,266
At 31 December 2016	39,539	137,180	176,719
Charge for the year	26,360	26,906	53,266
At 31 December 2017	65,899	164,086	229,985
Net carrying value:			
At 31 December 2016	1,542,036	1,249,438	2,791,474
At 31 December 2017	1,515,676	1,222,532	2,738,208

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 2017, included in the balances are freehold property with carrying value amounting to S\$1,515,676 (2016: S\$1,542,036). All of the Group's property interests which are freehold or under finance lease, and leased out under operating leases for lease terms of 2 years to earn rentals or for capital appreciation purposes, are measured using the costs model and are classified and accounted for as investment properties.

The investment properties comprise industrial properties that are leased to external customers. The leases contain initial non-cancellable period of 2 years. Subsequent renewal is negotiated with the lessees. The investment properties are mortgaged to the banks to secure for bank loans as at 31 December 2016 and 2017.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

15 INVESTMENT PROPERTIES (continued)

As at 31 December 2017, the fair values of the investment properties amounted to S\$3,887,758 (2016: S\$3,619,000) 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\$122,590 (2016: S\$105,502). Direct operating expenses arising from the rental-generating investment properties amounted to S\$53,266 (2016: S\$53,266).

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

	Fair value Level 3 S\$
<hr/>	
— As at 31 December 2016	
421 Tagore Ind. Avenue #02-14, Singapore	1,710,000
No. 18 Sin Ming Lane #07-40 Midview City, Singapore	634,000
No. 18 Sin Ming Lane #07-41 Midview City, Singapore	707,000
No. 21 Woodlands Park E1 #03-05, Singapore	568,000
	<hr/>
Total	3,619,000
	<hr/>
— As at 31 December 2017	
421 Tagore Ind. Avenue #02-14, Singapore	2,274,874
No. 18 Sin Ming Lane #07-40 Midview City, Singapore	513,723
No. 18 Sin Ming Lane #07-41 Midview City, Singapore	574,161
No. 21 Woodlands Park E1 #03-05, Singapore	525,000
	<hr/>
Total	3,887,758
	<hr/>

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

16 TRADE RECEIVABLES

	As at 31 December	
	2017 S\$	2016 S\$
Trade receivables	6,771,113	3,218,079
Unbilled revenue (Note a)	5,807,555	3,011,326
Retention receivables (Note b)	4,028,837	2,926,406
	16,607,505	9,155,811

Notes:

- a. Unbilled revenue are those accrued revenue which payment certificates are issued by the customers but no billing has been raised to customers.
- b. Retention monies held by customers for construction work are classified as current as they are expected to be received within the Group's normal operating cycle.

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	
	2017 S\$	2016 S\$
Within 30 days	5,633,919	2,269,424
31 days to 60 days	1,091,465	781,370
61 days to 90 days	—	3,090
Over 90 days	45,729	164,195
	6,771,113	3,218,079

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 once a year.

The carrying values of trade receivables approximate their fair values. Allowance for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts from rendering of services, determined by reference to individual customer's credit quality. In determining the recoverability of trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up and provide allowance on those doubtful debts timely.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

16 TRADE RECEIVABLES *(continued)*

Movements in the allowance for doubtful receivables:

	As at 31 December	
	2017 S\$	2016 S\$
Balance at beginning of year	—	109,459
Impairment charged to profit or loss	—	14,890
Written off during the year	—	(124,349)
Balance at end of year	—	—

Included in the Group's trade receivables are carrying amounts of approximately S\$45,729 (2016: S\$691,662) which are past due at 31 December 2017 for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on repayment history of respective customer. The Group does not hold any collateral over these balances.

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

	As at 31 December	
	2017 S\$	2016 S\$
31 days to 60 days	685	524,378
61 days to 90 days	—	3,090
Over 90 days	45,044	164,194
	45,729	691,662

During the year ended 31 December 2017, an amount of S\$Nil (2016: S\$14,890) was impaired and S\$Nil (2016: S\$124,349) was written off after conducting the impairment review by the management according to the Group's accounting policy.

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

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

17 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2017 S\$	2016 S\$
Deposits	162,819	108,360
Prepayments	75,211	65,600
Advances to staff	—	1,376
Goods and Service Tax ("GST") receivable	3,721	—
	241,751	175,336

18 AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONSTRUCTION WORK

	As at 31 December	
	2017 S\$	2016 S\$
Aggregate amount of contract cost incurred plus recognised profits less recognised losses	14,792,869	11,265,290
Less: Progress claims approved by customers	(10,430,196)	(10,096,766)
	4,362,673	1,168,524
Analysed for reporting purposes as:		
Amounts due from customers for construction work	5,133,483	1,306,662
Amounts due to customers for construction work	(770,810)	(138,138)
	4,362,673	1,168,524

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

19 AMOUNT DUE FROM (TO) A DIRECTOR/ULTIMATE HOLDING COMPANY**a. Amount due from a director**

	As at 31 December		As at 1 January
	2017	2016	2016
	S\$	S\$	S\$
Mr. Ong Cheng Yew	—	135,653	1,428,997

The balance of amount due from a director as at 31 December 2016 is non-trade related, unsecured, non-interest bearing and without a fixed payment term. The maximum amount of the balances due from a director during the year ended 31 December 2017 is S\$135,653 (2016: S\$1,452,956). There were no amounts due from a director as at 31 December 2017.

b. Amount due to a director

The balance of amount due to a director as at 31 December 2017 of the Group is non-trade related, unsecured, non-interest bearing and without a fixed payment term. The maximum amount of the balances due to a director during the year ended 31 December 2017 is S\$100,994. The amount due to a director has been settled in March 2018.

c. Amount due to ultimate holding company

The balance as at 31 December 2017 of the Group is non-trade related, unsecured, non-interest bearing and without a fixed repayment term. The maximum amount of the balances due to ultimate holding company during the year ended 31 December 2017 is S\$80,526. The amount due to ultimate holding company has been settled in March 2018.

20 BANK BALANCES AND CASH

	As at 31 December	
	2017	2016
	S\$	S\$
Cash on hand	2,178	3,200
Cash at bank	11,227,705	783,137
	11,229,883	786,337

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

21 TRADE AND OTHER PAYABLES

	As at 31 December	
	2017 S\$	2016 S\$
Trade payables	3,864,170	2,102,468
Trade accruals	6,313,062	—
	10,177,232	2,102,468
GST payables	35,003	266,128
Other payables	1,307,347	171,486
Deposits received	299,534	23,030
Provision for unutilised leave	29,446	29,108
Salaries and CPF payables	463,030	240,247
	12,311,592	2,832,467

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	
	2017 S\$	2016 S\$
Within 30 days	3,350,625	309,267
31 to 60 days	221,354	477,100
61 days to 90 days	205,903	542,341
Over 90 days	86,288	773,760
	3,864,170	2,102,468

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

22 OBLIGATIONS UNDER FINANCE LEASES

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

	Minimum lease payments		Present value of minimum lease payments	
	As at 31 December		As at 31 December	
	2017 S\$	2016 S\$	2017 S\$	2016 S\$
Amounts payable under finance leases:				
Within one year	156,004	168,711	137,141	143,040
In more than one year but no more than two years	152,437	159,108	139,759	139,866
In more than two years but no more than five years	191,069	324,905	181,511	290,879
More than five years	—	25,499	—	24,958
	499,510	678,223	458,411	598,743
Less: Future finance charges	(41,099)	(79,480)	—	—
Present value of lease obligations	458,411	598,743	458,411	598,743
Less: Amount due for settlement within one year (shown under current liabilities)			(137,141)	(143,040)
Amount due for settlement after one year			321,270	455,703

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

	Year ended 31 December	
	2017	2016
Interest rates	4.70%	4.73%

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

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

23 BORROWINGS

	As at 31 December	
	2017 S\$	2016 S\$
Trade financing		
— secured and guaranteed (Notes a and d)	2,180,882	1,443,818
Revolving credit facility		
— secured and guaranteed (Notes b and d)	750,000	—
Bank loans — secured and guaranteed (Notes c and d)	1,408,419	1,746,294
	4,339,301	3,190,112
<i>Analysed as:</i>		
Carrying amount repayable within one year	3,029,919	1,749,147
Carrying amount repayable more than one year, but not exceeding two years	100,289	144,010
Carrying amount repayable more than two years, but not more than five years	308,821	279,201
Carrying amount repayable more than five years	900,272	1,017,754
	4,339,301	3,190,112
Less: Amount due within one year shown under current liabilities	(3,029,919)	(1,749,147)
Amount shown under non-current liabilities	1,309,382	1,440,965

- a. As at 31 December 2017, trade financing bears a floating interest rate at 1.65% to 2.75% above the bank's cost of funds per annum (2016 : the bank's prime lending rate or 2.75% above the bank's cost of funds per annum).
- b. As at 31 December 2017, revolving credit facility bears a floating interest rate at 1.8% above the bank's cost of funds per annum.
- c. As at 31 December 2017, the bank loans of S\$1,408,419 (2016 : S\$1,746,294) are secured by first legal charge and the pledge over the Group's investment properties and the bank loans bear floating interest rates with weighted average effective interest rate at 3.24% (2016 : 3.26%) per annum. The amounts are repayable at the dates ranging from 2018 to 2037 and from 2017 to 2039 as at 31 December 2017 and 2016 respectively.
- d. As at 31 December 2016, the Controlling Shareholder provided personal guarantees in respect of bank borrowings in favour of the Group. The personal guarantees were released on 17 November 2017 and replaced with the corporate guarantee issued by the Company.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

24 DEFERRED TAX LIABILITIES

	As at 31 December	
	2017 S\$	2016 S\$
As at 1 January	66,415	128,018
Recognised in profit or loss during the year:		
— Accelerated tax depreciation	5,160	25,601
— Over provision of deferred tax in prior years	—	(87,204)
As at 31 December	71,575	66,415

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

25 SHARE CAPITAL

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

25 SHARE CAPITAL (continued)

	Number of shares	Share capital S\$
Issued and fully paid of G-Tech Metal		
At 1 January 2016 and 31 December 2016	3,000,000	3,000,000
Issued and fully paid of GT Steel Construction Group Limited:		
At date of incorporation on 1 February 2017 (Note a)	1	—
Issue of shares pursuant to the Reorganisation (Note b)	9,999	17
Issue of shares under the capitalisation issue (Note d)	359,990,000	620,672
Issue of shares under the Share Offer (Note e)	120,000,000	206,897
At 31 December 2017	480,000,000	827,586

Notes:

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

25 SHARE CAPITAL *(continued)*Notes: *(continued)*

- d. Pursuant to written resolutions passed on 2 November 2017, conditional upon the share premium account of the Company being credited as a result of the Share Offer, an amount of HK\$3,599,900 (equivalent to approximately S\$620,672) which will then be standing to the credit of the share premium account of the Company be capitalised and applied to pay up in full at par 359,990,000 shares for allotment and issue to the sole shareholder whose name appeared on the register of members of the Company at the close of business on 2 November 2017.
- e. The Company successfully listed on the GEM of the Stock Exchange on 17 November 2017 by way of placing of 108,000,000 ordinary shares and public offer of 12,000,000 ordinary shares at the price of HK\$0.54 per share, with a total gross proceeds of HK\$64.8 million (equivalent to approximately S\$11.17 million). The Company's share of net proceeds after deducting the underwriting commissions and estimated expenses paid or payable by the Company in relation to the Share Offer amounted to approximately HK\$56.2 million (equivalent to approximately S\$9.68 million).

26 SHARE OPTION SCHEME

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

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

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

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

The maximum number of shares in respect of which options may be granted shall not exceed 10% of the number of shares of the 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 month 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 the Company.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

26 SHARE OPTION SCHEME *(continued)*

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 2017 and 2016, no share options has been granted nor exercised and there is no outstanding share options of the Company as at 31 December 2017 and 2016.

27 OPERATING LEASE COMMITMENTS

The Group as lessee

	Year ended 31 December	
	2017 S\$	2016 S\$
Minimum lease payments under operating leases in respect of factory and office premises	366,192	365,892

As at 31 December 2017 and 2016, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	As at 31 December	
	2017 S\$	2016 S\$
Within one year	360,792	254,040
In the second to fifth year inclusive	404,700	204,732
	765,492	458,772

The leases have tenures ranging from 1 year to 2 years (2016: 1 to 2 years) tenures and no contingent rent provision included in the contracts.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

27 OPERATING LEASE COMMITMENTS *(continued)***The Group as lessor**

	Year ended 31 December	
	2017 S\$	2016 S\$
Rental income	122,590	105,502

As at 31 December 2017 and 2016, the Group has contracted with tenants for the following future minimum lease receipts:

	As at 31 December	
	2017 S\$	2016 S\$
Within one year	94,396	103,536
In the second to fifth year inclusive	73,890	37,908
	168,286	141,444

28 RETIREMENT BENEFIT PLAN

As prescribed by the Central Provident Fund Board of Singapore, the Company's employees employed in Singapore who are Singapore Citizens or Permanent Residents are required to join the CPF scheme. From 1 January 2016 the Group's contribution rates are adjusted up to 17% of the eligible employees' salaries, with each employee's qualifying salary capped at S\$6,000 per month.

The total costs charged to profit or loss, amounting to S\$111,641 (2016: S\$121,657) for the year ended 31 December 2017, represent contributions paid to the retirement benefits plan by the Group.

As at 31 December 2017, the CPF contribution payables amounted to S\$17,973 (2016: S\$26,024 which were paid subsequent to the end of the respective years.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

29 RELATED PARTY TRANSACTIONS

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

	Year ended 31 December	
	2017 S\$	2016 S\$
Li Poh Construction Pte. Ltd.* Management fee income	—	70,000

* Li Poh Construction Pte. Ltd. is a company controlled and wholly owned by the Controlling Shareholder.

	Year ended 31 December	
	2017 S\$	2016 S\$
Broadville Limited Purchase of investment in subsidiary, G Tech Structures Sdn Bhd (Note 36)	80,526	—

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

	Year ended 31 December	
	2017 S\$	2016 S\$
Short term benefits	421,509	379,240
Post-employment benefits	43,170	47,198
	464,679	426,438

Guaranteed from Controlling Shareholder

As at 31 December 2016, the Controlling Shareholder provided personal guarantees in respect of bank borrowings in favour of the Group of which S\$3,190,112 remained outstanding. The personal guarantees were released on 17 November 2017 and replaced with the corporate guarantee issued by the Company.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

30 PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company as at 31 December 2017 are set out below.

Name	Place of incorporation/ operation	Paid up issued capital	Group's effective interest	Held by the Company	Principal activities
<i>Directly held:</i>					
Chirton Investments	British Virgin Islands	US\$1	100%	100%	Investment holding
<i>Indirectly held:</i>					
G-Tech Metal Pte Ltd	Singapore	S\$3,000,000	100%	—	Provision of structural steelwork services
G Tech Structures Sdn Bhd (Note a)	Malaysia	RM250,000	100%	—	Provision of structural steelwork services

Note:

- a. The subsidiary was acquired from ultimate holding company during the year (Note 36).

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

31 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

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

	As at 31 December 2017 S\$
ASSETS AND LIABILITIES	
Non-current asset	
Investment in a subsidiary	17
Current assets	
Bank balances and cash	8,963,179
Current liabilities	
Other payables	57,376
Amount due to G-Tech Metal	3,359,365
	3,416,741
Net current assets	5,546,438
Total assets less current liabilities, representing net assets	5,546,455
EQUITY	
Capital and reserves	
Share capital	827,586
Reserves	4,718,869
Equity attributable to owners of the Company	5,546,455

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

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

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

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

32 CAPITAL RISKS MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from prior year.

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

The management of the Group reviews 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 of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares and new debts.

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

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

33 FINANCIAL RISK MANAGEMENT

Categories of financial instruments

The Group	As at 31 December	
	2017 S\$	2016 S\$
Financial assets		
— <i>Loans and receivables</i>		
Trade receivables	16,607,505	9,155,811
Deposits and advances to staff	162,819	109,736
Amount due from a director	—	135,653
Bank balances and cash	11,229,883	786,337
Total	28,000,207	10,187,537
Financial liabilities		
— <i>Amortised cost</i>		
Trade and other payables	12,311,592	2,566,339
Amount due to ultimate holding company	80,526	—
Amount due to a director	100,994	—
Obligation under finance leases	458,411	598,743
Borrowings	4,339,301	3,190,112
Total	17,290,824	6,355,194

* Prepayments, GST receivables and GST payables are excluded

Financial risk management objectives and policies

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

Notes to the Consolidated Financial Statements (Continued)

*For the Financial Year ended 31 December 2017***33 FINANCIAL RISK MANAGEMENT** *(continued)***(a) Market risk*****Interest rate risk***

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

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

Sensitivity analysis

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

Variable-rate borrowings

If interest rates of the variable-rate borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended 31 December 2017 would decrease/increase by approximately S\$21,696 (2016: S\$15,951).

(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.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

33 FINANCIAL RISK MANAGEMENT (continued)**(b) Currency risk** (continued)

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 company's functional currencies is as follows:

	Liabilities		Assets	
	2017 S\$	2016 S\$	2017 S\$	2016 S\$
Hong Kong Dollar	(345,199)	—	8,963,179	—

Sensitivity analysis for foreign currency risk

A 5% strengthening/weakening of the Hong Kong dollar (HKD) against the respective functional currencies of the group entities as at 31 December 2017 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) S\$	Equity increase/ (decrease) S\$
HK\$ against S\$		
— strengthened	(430,899)	(430,899)
— weakened	430,899	430,899

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

33 FINANCIAL RISK MANAGEMENT *(continued)***(c) Credit risk**

The Group's concentration of credit risk by geographical locations is mainly in Singapore, which accounted for 99.9% (2016: 100%) of the total financial assets as at 31 December 2017.

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

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

Approximately 83% (2016: 73%) of total trade receivables outstanding at 31 December 2017 were due from top 5 customers which exposed the Group to concentration of credit risk.

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

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

At the end of each 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 is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

(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 management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

33 FINANCIAL RISK MANAGEMENT (continued)**(d) Liquidity risk** (continued)

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 year S\$	Over 5 year S\$	Total Undiscounted cash flow S\$	Carrying amount S\$
As at 31 December 2017								
<i>Non-interest bearing</i>								
Trade payables and other payables	—	12,311,592	—	—	—	—	12,311,592	12,311,592
Amount due to ultimate holding company	—	80,526	—	—	—	—	80,526	80,526
Amount due to a director	—	100,994	—	—	—	—	100,994	100,994
<i>Interest bearing instruments</i>								
Finance leases (Fixed rate)	4.70	39,001	39,001	78,002	343,506	—	499,510	458,411
Trade financing — secured and guaranteed (Note 23)	3.72	1,490,472	704,889	—	—	—	2,195,361	2,180,882
Revolving credit facility — secured and guaranteed (Note 23)	2.60	753,205	—	—	—	—	753,205	750,000
Bank loan — secured and guaranteed (Note 23)	2.84	34,586	34,488	68,681	535,324	1,098,391	1,771,470	1,408,419
Total		14,810,376	778,378	146,683	878,830	1,098,391	17,712,658	17,290,824
As at 31 December 2016								
<i>Non-interest bearing</i>								
Trade payables and other payables	—	2,566,339	—	—	—	—	2,566,339	2,566,339
<i>Interest bearing instruments</i>								
Finance leases (Fixed rate)	4.73	42,978	42,978	82,755	484,013	25,499	678,223	598,743
Trade financing — secured and guaranteed (Note 23)	4.55	1,205,860	259,638	—	—	—	1,465,498	1,443,818
Bank loans — secured and guaranteed (Note 23)	2.20	107,421	107,421	129,860	532,040	1,229,435	2,106,177	1,746,294
Total		3,922,598	410,037	212,615	1,016,053	1,254,934	6,816,237	6,355,194

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

33 FINANCIAL RISK MANAGEMENT *(continued)***(e) Fair value*****Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis***

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

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

34 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings	Obligations under finance lease	Amount due to a director	Amount due to ultimate holding company	Total
	S\$	S\$	S\$	S\$	S\$
At 1 January 2016	2,355,148	591,048	—	—	2,946,196
Financing cash flows	732,024	(167,326)	—	—	564,698
Interest paid	102,940	21,751	—	—	124,691
<i>Non-cash changes</i>					
New finance leases		153,270	—	—	153,270
	3,190,112	598,743	—	—	3,788,855
At 31 December 2016					
Financing cash flows	1,055,958	(178,083)	135,408	—	1,013,283
Interest paid	93,231	37,751	—	—	130,982
<i>Non-cash changes</i>					
Acquisition of a subsidiary	—	—	(34,414)	80,526	46,112
At 31 December 2017	4,339,301	458,411	100,994	80,526	4,979,232

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

35 NON-CASH TRANSACTION

During the year ended 31 December 2016, amount due from a director was settled by offsetting with dividend payable of S\$500,000 and amount due to a director of S\$793,344 in aggregate.

36 ACQUISITION OF A SUBSIDIARY

On 11 October 2017, the Company's ultimate holding company, Broadbville Limited ("Broadbville"), acquired 100% equity interest in G Tech Structures Sdn. Bhd. ("GTS") for consideration of RM 250,000 (Approximately S\$80,526).

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Financial Year ended 31 December 2017

36 ACQUISITION OF A SUBSIDIARY *(continued)***(c) Merger reserve arising on acquisition**

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

(d) Net cash inflow on acquisition of subsidiary

	S\$
Consideration paid in cash	—
Less: Bank balances and cash acquired	<u>46,112</u>
	<u>46,112</u>

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

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

Summary of Financial Information

The following is a summary of the consolidated results and of the assets and liabilities of the Group for the last three financial years as extracted from the published financial statements:

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