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GT STEEL CONSTRUCTION GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8402)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

This announcement, for which the directors (the “Directors”) of GT Steel Construction Group Limited (the “Company”) collectively and individually accept full responsibility, include particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief (1) the information contained in this announcement is accurate and complete in all material respects and not misleading and deceptive; and (2) there are no other matters the omission of which would make any statement herein or this announcement misleading.

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

RESULTS

The Board (the “Board”) of Directors of the Company (together with its subsidiaries, the “Group”) is pleased to present the audited consolidated results of the Group for the year ended 31 December 2018 together with comparative figures for the corresponding year in 2017:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2018

	Note	2018 S\$	2017 S\$
Revenue	4	50,117,397	27,890,048
Cost of services		(37,898,474)	(20,836,596)
Gross profit		12,218,923	7,053,452
Other income	5a	216,862	281,903
Other (losses) gains	5b	(510)	39,359
Selling expenses		(377,869)	(173,856)
Administrative expenses		(3,856,821)	(2,834,115)
Other expenses	5c	—	(3,879,260)
Finance costs	6	(175,149)	(143,006)
Profit before taxation		8,025,436	344,477
Income tax expense	7	(1,482,936)	(755,671)
Profit (Loss) for the year	8	6,542,500	(411,194)
Other comprehensive expense			
<i>Item that may be reclassified subsequently reclassified to profit or loss</i>			
Exchange differences on translation of foreign operation		(2,441)	—
Total comprehensive income (expense) for the year		6,540,059	(411,194)
Basic earnings (loss) per share (S\$ cents)	11	1.36	(0.11)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2018

		31 December 2018 S\$	31 December 2017 S\$ (Restated)*	1 January 2017 S\$ (Restated)*
Non-current assets				
Property, plant and equipment	12	1,379,061	1,891,692	2,617,544
Investment properties	13	<u>2,684,941</u>	<u>2,738,208</u>	<u>2,791,474</u>
		<u>4,064,002</u>	<u>4,629,900</u>	<u>5,409,018</u>
Current assets				
Trade receivables	14	6,451,736	12,578,668	6,229,405
Contract assets	15	10,075,674	9,162,320	4,233,068
Deposits, prepayments and other receivables	16	3,773,322	241,751	175,336
Amount due from a director		—	—	135,653
Bank balances and cash	18	<u>16,962,802</u>	<u>11,229,883</u>	<u>786,337</u>
		<u>37,263,534</u>	<u>33,212,622</u>	<u>11,559,799</u>
Current liabilities				
Trade and other payables	19	8,351,549	12,311,592	2,832,467
Amount due to a director	17a	—	100,994	—
Amount due to ultimate holding company	17b	—	80,526	—
Contract liabilities	15	—	770,810	138,138
Obligations under finance leases — due within one year	20	139,823	137,141	143,040
Borrowings	21	4,388,533	3,029,919	1,749,147
Income tax payable		<u>1,483,359</u>	<u>752,845</u>	<u>215,910</u>
		<u>14,363,264</u>	<u>17,183,827</u>	<u>5,078,702</u>
Net current assets		<u>22,900,270</u>	<u>16,028,795</u>	<u>6,481,097</u>
Total assets less current liabilities		<u>26,964,272</u>	<u>20,658,695</u>	<u>11,890,115</u>

		31 December 2018	31 December 2017	1 January 2017
	<i>Note</i>	<i>S\$</i>	<i>S\$</i>	<i>S\$</i>
			(Restated)*	(Restated)*
Non-current liabilities				
Obligations under finance leases —				
due after one year	20	184,833	321,270	455,703
Borrowings	21	1,211,281	1,309,382	1,440,965
Deferred tax liabilities	22	71,631	71,575	66,415
		<u>1,467,745</u>	<u>1,702,227</u>	<u>1,963,083</u>
Net assets		<u>25,496,527</u>	<u>18,956,468</u>	<u>9,927,032</u>
Capital and reserves				
Share capital	23	827,586	827,586	3,000,000
Share premium		8,613,061	8,613,061	—
Merger reserves		2,999,983	2,999,983	—
Accumulated profits		13,058,338	6,515,838	6,927,032
Translation Reserve		(2,441)	—	—
		<u>25,496,527</u>	<u>18,956,468</u>	<u>9,927,032</u>
Equity attributable to owners of the Company		<u>25,496,527</u>	<u>18,956,468</u>	<u>9,927,032</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As At 31 December 2018

	Share capital <i>S\$</i>	Share premium (Note A) <i>S\$</i>	Merger reserves (Note B) <i>S\$</i>	Accumulated profits <i>S\$</i>	Translation Reserve <i>S\$</i>	Total <i>S\$</i>
At 1 January 2017	3,000,000	—	—	6,927,032	—	9,927,032
Total comprehensive expense for the year:						
Loss for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>(411,194)</u>	<u>—</u>	<u>(411,194)</u>
	3,000,000	—	—	6,515,838	—	9,515,838
Transaction with owners, recognised directly in equity:						
Issue of shares pursuant to the Reorganisation (Notes 2 and 23)	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 23)	620,672	(620,672)	—	—	—	—
Issue of shares under the Share Offer (Note 23)	206,897	10,965,517	—	—	—	11,172,414
Share issue expenses	<u>—</u>	<u>(1,731,784)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,731,784)</u>
	(2,172,414)	8,613,061	2,999,983	—	—	9,440,630
At 31 December 2017	827,586	8,613,061	2,999,983	6,515,838	—	18,956,468
Total comprehensive income (expense) for the year:						
Profit for the year	—	—	—	6,542,500	—	6,542,500
Other comprehensive expense for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,441)</u>	<u>(2,441)</u>
Total	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,542,500</u>	<u>(2,441)</u>	<u>6,540,059</u>
At 31 December 2018	<u>827,586</u>	<u>8,613,061</u>	<u>2,999,983</u>	<u>13,058,338</u>	<u>(2,441)</u>	<u>25,496,527</u>

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Financial Year Ended 31 December 2018

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

	2018	2017
	S\$	S\$
		(Restated)
Financing activities		
Issuance of share capital — net of listing expenses	—	9,440,630
Advance from a director	—	135,408
Repayment to ultimate holding company	(80,526)	—
Repayment to a director	(100,994)	—
Repayment of obligations under finance leases	(133,755)	(140,332)
Proceeds from borrowings	16,132,643	7,052,038
Repayment of borrowings	(14,872,130)	(5,902,849)
Interest paid	(175,149)	(130,982)
	<u>770,089</u>	<u>10,453,913</u>
Net cash from financing activities		
	5,735,370	10,443,546
Net increase in cash and cash equivalents		
Cash and cash equivalents at beginning of the year	11,229,883	786,337
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	(2,451)	—
	<u>16,962,802</u>	<u>11,229,883</u>
Cash and cash equivalents at end of the year (Note 18)		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

Its parent is Broadbville Limited (“Broadbville”), a company with limited liability incorporated in the British Virgin Islands (the “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.

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 13 March 2019.

2. GROUP REORGANISATION AND BASIS OF PREPARATION

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

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

- (i) On 22 December 2016, Broadbville Limited (“Broadbville”, the Company’s holding company which is not forming part of the Group) was incorporated in the British Virgin Islands (“BVI”) with limited liability and is authorised to issue a maximum of 50,000 shares of a single class, each with a par value of US\$1, of which 1 fully paid share had been allotted and issued at par to Mr. Ong Cheng Yew on 17 January 2017.
- (ii) On 28 November 2016, Chirton Investments Limited (“Chirton Investments”) was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1, of which 1 fully paid share has been allotted and issued at par to Broadbville on 17 January 2017.
- (iii) On 1 February 2017, the Company was incorporated as an exempted company in the Cayman Islands with limited liability and the initial one nil-paid subscriber share was issued to the initial subscriber and transferred to Broadbville at nil-paid on the same day. The authorised share capital of the Company was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each at the time of incorporation.

- (iv) On 16 June 2017, Mr. Ong 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 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.

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

New and amended IFRSs that are effective for the current year

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

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

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

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

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

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

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

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

Impact on consolidated cash flows as at 31 December 2017

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

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

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

New and amendments to IFRSs in issue but not yet effective

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

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

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

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

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

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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

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

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede 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. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

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

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

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

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

Furthermore, extensive disclosures are required by IFRS 16.

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

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from the provision of construction services, installation and auxiliary services provided by the Group to external customers. The Group's operations are mainly derived from Singapore during the financial year.

Information is reported to the Executive Directors, being the chief operating decision maker (“CODM”) of the Group, for the purposes of resource allocation and performance assessment. The accounting policies are the same as the Group’s accounting policies. The CODM reviews revenue by category, i.e. provision of services comprising design, supply, fabrication and erection of structural steel-works for the construction of buildings, including technological plants, industrial buildings, commercial buildings, government institutions and residential buildings in Singapore and Malaysia and other installation and auxiliary services by the Group to external customers for the respective reporting period. No analysis of the Group’s results, assets and liabilities is regularly provided to the CODM for review. Accordingly, only entity-wide disclosures on services, major customers and geographical information are presented in accordance with IFRS 8 *Operating Segments*.

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

	Year ended 31 December	
	2018	2017
	<i>S\$</i>	<i>S\$</i>
Revenue from:		
Provision of structural steelworks services	<u>50,117,397</u>	<u>27,890,048</u>
	<u>50,117,397</u>	<u>27,890,048</u>

Major customers

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

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

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

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

	Year ended 31 December 2018 S\$
Provision of structural steelworks services	<u>33,430,500</u>
	<u><u>33,430,500</u></u>

Management expects that 100% of the transaction price allocated to the unsatisfied contracts as of 31 December 2018 will be recognised as revenue during the next reporting period.

Geographical information

Revenue based on geographical location of customers are as follows:

	Year ended 31 December	
	2018	2017
	S\$	S\$
Singapore	48,369,824	27,687,479
Malaysia	<u>1,747,573</u>	<u>202,569</u>
	<u><u>50,117,397</u></u>	<u><u>27,890,048</u></u>

5. A. OTHER INCOME

	Year ended 31 December	
	2018	2017
	S\$	S\$
Insurance claim receipt	22,434	21,776
Government grants	56,653	88,529
Rental income	125,501	122,590
Sundry income	12,274	49,008
	<u>216,862</u>	<u>281,903</u>

B. OTHER (LOSSES) GAINS

	Year ended 31 December	
	2018	2017
	S\$	S\$
(Loss) Gain on disposal of property, plant and equipment	<u>(510)</u>	<u>39,359</u>

C. OTHER EXPENSES

	Year ended 31 December	
	2018	2017
	S\$	S\$
Listing expenses	<u>—</u>	<u>3,879,260</u>
	<u>—</u>	<u>3,879,260</u>

6. FINANCE COSTS

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

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	S\$	S\$
Tax expense comprises:		
Current tax		
— Singapore corporate income tax (“CIT”)	1,477,286	752,845
— Under (Over) provision in prior years	5,594	(2,334)
Deferred tax expense (<i>Note 22</i>)		
— Current year	56	5,160
	<u>1,482,936</u>	<u>755,671</u>

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

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

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

Note:

- 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.

8. PROFIT (LOSS) FOR THE YEAR

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

	Year ended 31 December	
	2018	2017
	S\$	S\$
Audit fees paid to auditors of the Company:		
— Annual audit fees	150,000	120,000
— Audit fees in connection with the listing of the Company	—	161,250
Audit fees paid to member firm of the auditors of the Company:		
— Audit fees in connection with the listing of the Company	—	217,500
Non-audit fees paid to auditors of the Company	—	64,500
Listing expenses (<i>Note a</i>)	—	3,879,260
Depreciation of property, plant and equipment:		
— Recognised in cost of services	461,125	462,059
— Recognised in administrative expenses	223,205	316,486
Depreciation of investment properties	53,267	53,266
Directors' emoluments (<i>Note 9</i>)	279,693	224,481
Other staff costs:		
— Salaries and wages	3,790,778	3,413,667
— Defined contribution plans	102,391	87,161
— Other staff benefits	100,545	30,494
Total staff costs	<u>3,993,714</u>	<u>3,531,322</u>
Cost of materials recognised as expenses	14,962,043	5,330,031
Subcontractor costs recognised as expenses	<u>16,235,143</u>	<u>11,142,622</u>

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.

9. DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

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

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

Year ended 31 December 2018

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

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
	<u>8,001</u>	<u>—</u>	<u>192,000</u>	<u>24,480</u>	<u>224,481</u>

Notes:

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

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

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

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

Employees' remuneration

The five highest paid employees of the Group during the year ended 31 December 2018 included two (2017: two) directors, details of whose remunerations are set out above. Details of the remuneration for the remaining three (2017: three) highest paid employees who are not directors of the Company are as follows:

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

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

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

10. DIVIDEND

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

11. EARNINGS (LOSS) PER SHARE

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

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

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

12. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

	As at 31 December	
	2018	2017
	S\$	S\$
Machinery and motor vehicles	<u>465,463</u>	<u>585,055</u>

13. INVESTMENT PROPERTIES

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

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

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

As at 31 December 2018, included in the balances are freehold property with carrying value amounting to S\$1,489,316 (2017: S\$1,515,676). All of the Group's property interests which are freehold, and leased out under operating leases for lease terms of 2 years to earn rentals or for capital appreciation purposes, are measured using the costs model and are classified and accounted for as investment properties.

The investment properties comprise industrial properties that are leased to external customers. The leases contain initial non-cancellable period of 2 years. Subsequent renewal is negotiated with the lessees. The investment properties are mortgaged to the banks to secure for bank loans (Note 21) as at 31 December 2017 and 2018.

At 31 December 2018, the fair values of the investment properties amounted to S\$4,628,547 (2017: S\$3,887,758) and is categorised within level 3 of the fair value hierarchy. The fair values were determined using the comparison approach, where it is based on comparable market transactions that considered the sales of similar properties that have been transferred in the open market with the significant unobservable input being the price per square metre where any significant isolated increases (decreases) in this input would result in a significantly higher (lower) fair value measurement.

In estimating the fair value of the property, the highest and best use of the property their current use. There has been no change to the valuation technique during the year.

The property rental income from the Group's investment properties, all of which are leased out under operating leases, amounted to S\$125,501 (2017: S\$122,590). Direct operating expenses arising from the rental-generating investment properties amounted to S\$53,267 (2017: S\$53,266).

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

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

14. TRADE RECEIVABLES

	As at 31 December	
	2018	2017
	S\$	S\$
		(Restated)
Trade receivables	6,368,157	6,771,113
Unbilled revenue (<i>Note a</i>)	83,579	5,807,555
	<hr/>	<hr/>
	6,451,736	12,578,668
	<hr/> <hr/>	<hr/> <hr/>

Notes:

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

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

	As at 31 December	
	2018	2017
	S\$	S\$
Within 30 days	515,198	5,633,919
31 days to 60 days	2,911,762	1,091,465
Over 90 days	2,941,197	45,729
	<u>6,368,157</u>	<u>6,771,113</u>

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

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

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

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

	As at 31 December, 2017 S\$
31 days to 60 days	685
61 days to 90 days	—
Over 90 days	45,044
	<u>45,729</u>

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

In determining the recoverability of trade receivables, 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.

Starting from 1 January 2018, the Group applied simplified approach to provide the expected credit losses prescribed by IFRS 9.

As part of the Group's credit risk management, the Group assesses the impairment for its customers based on different group of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

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

	As at 31 December 2018 S\$
31 days to 60 days	959,668
61 days to 90 days	—
Over 90 days	<u>1,967,535</u>
	<u><u>2,927,203</u></u>

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

15. CONTRACT ASSETS/CONTRACT LIABILITIES

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

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

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

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

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

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

16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	S\$	S\$
Prepayments to sub-contractor (<i>Note a</i>)	3,308,898	—
Deposits (<i>Note b</i>)	173,035	162,819
Prepayments	291,389	75,211
Goods and Service Tax ("GST") receivables	—	3,721
	3,773,322	241,751
	3,773,322	241,751

Notes:

- (a) The prepayments to sub-contractors represent down payment for certain projects. Such amounts will be utilised within 12 months after reporting period.
- (b) The directors of the Company considered that the ECL on deposits is insignificant as at 31 December 2018.

17. AMOUNT DUE TO A DIRECTOR/ULTIMATE HOLDING COMPANY

a. Amount due to a director

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

b. Amount due to ultimate holding company

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

18. BANK BALANCES AND CASH

	As at 31 December	
	2018	2017
	S\$	S\$
Cash on hand	1,000	2,178
Cash at bank	12,976,713	11,227,705
Fixed Deposit	3,985,089	—
	<u>16,962,802</u>	<u>11,229,883</u>

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

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

19. TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	S\$	S\$
Trade payables	6,116,715	3,864,170
Trade accruals	—	6,313,062
	<u>6,116,715</u>	<u>10,177,232</u>
GST payables	15,950	35,003
Other payables	1,293,965	1,307,347
Deposits received	16,322	299,534
Provision for unutilised leave	25,731	29,446
Salaries and CPF payables	882,866	463,030
	<u>8,351,549</u>	<u>12,311,592</u>

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

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

20. 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	
	2018	2017	2018	2017
	S\$	S\$	S\$	S\$
<i>Amounts payable under finance leases:</i>				
Within one year	152,436	156,004	139,823	137,141
In more than one year but no more than two years	118,245	152,437	111,575	139,759
In more than two years but no more than five years	76,394	191,069	73,258	181,511
	<u>347,075</u>	<u>499,510</u>	<u>324,656</u>	<u>458,411</u>
Less: Future finance charges	<u>(22,419)</u>	<u>(41,099)</u>	<u>—</u>	<u>—</u>
Present value of lease obligations	<u>324,656</u>	<u>458,411</u>	<u>324,656</u>	<u>458,411</u>
Less: Amount due for settlement within one year (shown under current liabilities)			<u>(139,823)</u>	<u>(137,141)</u>
Amount due for settlement after one year			<u>184,833</u>	<u>321,270</u>

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

	Year ended 31 December	
	2018	2017
Interest rates	<u>4.79%</u>	<u>4.70%</u>

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (Note 12).

21. BORROWINGS

	As at 31 December	
	2018	2017
	S\$	S\$
Secured and guaranteed:		
Trade financing (<i>Notes a and d</i>)	4,289,566	2,180,882
Revolving credit facility (<i>Notes b and d</i>)	—	750,000
Bank loans (<i>Notes c and d</i>)	<u>1,310,248</u>	<u>1,408,419</u>
	<u>5,599,814</u>	<u>4,339,301</u>
<i>Analysed as:</i>		
Carrying amount repayable within one year	4,388,533	3,029,919
Carrying amount repayable more than one year, but not exceeding two years	100,374	100,289
Carrying amount repayable more than two years, but not more than five years	259,553	308,821
Carrying amount repayable more than five years	<u>851,354</u>	<u>900,272</u>
	5,599,814	4,339,301
Less: Amount due within one year shown under current liabilities	<u>(4,388,533)</u>	<u>(3,029,919)</u>
Amount shown under non-current liabilities	<u>1,211,281</u>	<u>1,309,382</u>

- a. As at 31 December 2018, trade financing bears a floating interest rate at 1.65% to 2.00% above the bank's cost of funds per annum (2017: 1.65% to 2.75% above the bank's cost of funds per annum).
- b. As at 31 December 2017, revolving credit facility bore a floating interest rate at 1.8% above the bank's cost of funds per annum.
- c. As at 31 December 2018, the bank loans are secured by first legal charge and the pledge over the Group's investment properties (Note 13), and the bank loans bear floating interest rates with weighted average effective interest rate at 3.55% (2017: 3.24%) per annum. The amounts are repayable at the dates ranging from 2019 to 2037 and from 2018 to 2037 as at 31 December 2018 and 2017 respectively.
- d. As at 31 December 2018 and 2017, the Group's borrowings are secured by corporate guarantee issued by the Company.

22. DEFERRED TAX LIABILITIES

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

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.

23. 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 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 (the “Share Offer”).

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

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

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.

- 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 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).

24. RETIREMENT BENEFIT PLAN

As prescribed by the Central Provident Fund Board of Singapore, the Company's employees employed in Singapore who are Singapore Citizens or Permanent Residents are required to join the CPF scheme. For the year ended 31 December 2018, the Group contributed up to 17% of the eligible employees' salaries to the CPF scheme, with each employee's qualifying salary capped at S\$6,000 per month.

The total costs charged to profit or loss, amounting to S\$121,148 (2017: S\$111,641) for the year ended 31 December 2018, represent contributions paid to the retirement benefits plan by the Group.

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

25. RELATED PARTY TRANSACTIONS

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

	Year ended 31 December	
	2018	2017
	S\$	S\$
Broadbville Limited		
Purchase of investment in subsidiary, G Tech Structures Sdn Bhd	—	80,526
	<u> </u>	<u> </u>

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

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

FINANCIAL REVIEW

Revenue and Results

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

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

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

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

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

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

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

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

Liquidity and Financial Resources

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

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

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

The Group had cash and cash equivalents of approximately S\$16,963,000 (2017: S\$11,230,000) which were placed with major banks in Singapore, Hong Kong and Malaysia.

The gearing ratio is calculated based on the total borrowings divided by the total equity as at the respective periods end. The Group's gearing ratio was approximately 0.2 times (31 December 2017: approximately 0.3 times).

Foreign Exchange Exposure

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

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

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

Charges on Group's Assets

The Group has total present value of lease obligations under finance lease, which are secured by the relevant leased machinery and motor vehicles amounting to approximately S\$465,000 (2017: S\$585,000).

Contingent Liabilities

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

Capital Commitments

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

Employee Information

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

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

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

Comparison of Business Objectives with Actual Business Progress

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

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

Use of Proceeds from the Share Offer

The Company was successfully listed on GEM on the Listing Date by way of the Share Offer and the net proceeds raised from the Share Offer were approximately HK\$35.9 million (approximately S\$6.19 million) after deducting the listing-related expenses.

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

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

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

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

- (i) The Group has sourced the new fabrication facility in Sungei Kadut area from few sellers. However, the Group is still under negotiation with the sellers for the consideration and purchase terms of those properties.
- (ii) The Group expects to purchase a new fabrication facility in 2019.
- (iii) The unused net proceeds are deposited into licensed banks in Hong Kong and Singapore.
- (iv) The Group will only be able to proceed with purchase of new machineries when the new fabrication facility is fixed.

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

BUSINESS REVIEW

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

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

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

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

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

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

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

The Board is ultimately responsible for ensuring that the risk management practices of the Group are sufficient to mitigate the risks present in our businesses and operations as efficiently and effectively as possible. The Board delegates some of this responsibility to various operational departments. The Group's financial position, operations, business and prospects may be affected by the following identified risks and uncertainties. The Group adopts risk management policies, measures and monitoring systems to pre-empt and contain exposures associated with the identified risks.

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

PROSPECT

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

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

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

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period under review, none of the Directors or the controlling shareholders or their respective associates (as defined in the GEM Listing Rules) of the Group had any interests in any business which competed with or might compete with the business of the Group.

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY THE DIRECTORS

During the year ended 31 December 2018, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors.

CORPORATE GOVERNANCE PRACTICES

The Board considers good corporate governance a key element in managing the business and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code during the financial year ended 31 December 2018.

INTEREST OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Vinco Capital Limited, as at 31 December 2018, save for the compliance adviser agreement dated 26 June 2017 entered into between the Company and Vinco Capital Limited, neither Vinco Capital Limited, its directors, employees and associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the “Scheme”) on 2 November 2017. The purpose of the Scheme is to advance the interests of the Company and the shareholders by enabling the Company to grant options to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group and by enabling such persons’ contribution to further advance the interests of the Group. The principal terms of the Scheme are summarized in the section headed “Share Option Scheme” in Appendix V to the Prospectus.

As at 31 December 2018, no share option was outstanding under the Scheme. No share option has been granted, exercised, cancelled or lapsed under the Scheme since its adoption.

DIVIDEND

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2018.

SIGNIFICANT INVESTMENTS

As at 31 December 2018 and 2017, the Group did not hold any significant investments.

EVENTS AFTER THE FINANCIAL PERIOD

No significant events have taken place after the year ended 31 December 2018 to the date of this announcement.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) on 21 June 2017 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3 of the CG Code 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 (Chen Yulin). Mr. Tam Wai Tak Victor, a Director with the appropriate professional qualifications, serves as the chairman of the Audit Committee. Among other things, the primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Group’s financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee has reviewed the financial statements and annual results for the year ended 31 December 2018 and has provided advice and comments thereon.

By order of the Board
GT Steel Construction Group Limited
Ong Cheng Yew
Chairman and Executive Director

Singapore, 13 March 2019

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Ong Cheng Yew (Chairman) and Ms. Koh Siew Khing and three independent non-executive Directors, namely, Mr. Tam Wai Tak Victor, Ms. Chooi Pey Nee and Mr. Tan Yeok Lim (Chen Yulin).

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication. This announcement will also be published on the Company’s website at www.gt-steel.com.sg.