

GT STEEL Construction Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8402



2023
INTERIM REPORT

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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 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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

- Ms. Chen Xiaoyu (*Chairperson*)
(*succeeded as Chairperson on 16 May 2023*)
- Mr. Ong Cheng Yew
(*retired as Chairman on 16 May 2023*)
- Ms. Koh Siew Khing
(*resigned on 4 May 2023*)

Non-executive Directors

- Ms. Lin Xiaoqin
- Mr. Chan Kwun Wah Derek
(*appointed on 4 May 2023*)
- Ms. Yang Pu
(*appointed on 16 May 2023*)
- Mr. Shi Shuyuan
(*appointed on 16 May 2023*)

Independent non-executive Directors

- Mr. Wong Carson Ka Chun
(*appointed on 16 May 2023*)
- Mr. Tong Kai Tak
(*appointed on 16 May 2023*)
- Ms. Chen Li
(*appointed on 16 May 2023*)
- Mr. Tam Wai Tak Victor
(*resigned on 16 May 2023*)
- Ms. Chooi Pey Nee
(*resigned on 16 May 2023*)
- Mr. Tan Yeok Lim (Chen Yulin)
(*resigned on 16 May 2023*)

AUDIT COMMITTEE MEMBERS

- Mr. Wong Carson Ka Chun
(*Chairman of the audit committee, appointed on 16 May 2023*)
- Mr. Tong Kai Tak
(*appointed on 16 May 2023*)
- Ms. Chen Li
(*appointed on 16 May 2023*)
- Mr. Tam Wai Tak Victor
(*Chairman of the audit committee, resigned on 16 May 2023*)
- Ms. Chooi Pey Nee
(*resigned on 16 May 2023*)
- Mr. Tan Yeok Lim (Chen Yulin)
(*resigned on 16 May 2023*)

NOMINATION COMMITTEE MEMBERS

- Mr. Tong Kai Tak
(*Chairman of the nomination committee, appointed on 16 May 2023*)
- Mr. Wong Carson Ka Chun
(*appointed on 16 May 2023*)
- Ms. Chen Li
(*appointed on 16 May 2023*)
- Mr. Tan Yeok Lim (Chen Yulin)
(*Chairman of the nomination committee, resigned on 16 May 2023*)
- Mr. Tam Wai Tak Victor
(*resigned on 16 May 2023*)
- Ms. Chooi Pey Nee
(*resigned on 16 May 2023*)
- Ms. Koh Siew Khing
(*resigned on 4 May 2023*)

REMUNERATION COMMITTEE MEMBERS

- Ms. Chen Li
(Chairperson of the remuneration committee, appointed on 16 May 2023)
- Mr. Tong Kai Tak
(appointed on 16 May 2023)
- Mr. Wong Carson Ka Chun
(appointed on 16 May 2023)
- Ms. Chooi Pey Nee
(Chairwoman of the remuneration committee, resigned on 16 May 2023)
- Mr. Tam Wai Tak Victor
(resigned on 16 May 2023)
- Mr. Tan Yeok Lim (Chen Yulin)
(resigned on 16 May 2023)

COMPLIANCE OFFICER

Mr. Ong Cheng Yew

COMPANY SECRETARY

- Mr. Chan Pak Lun
(appointed on 1 July 2023)
- Mr. Chan Hank Daniel
(resigned on 1 July 2023)

AUTHORISED REPRESENTATIVES

- Mr. Ong Cheng Yew
- Mr. Chan Pak Lun
(appointed on 1 July 2023)
- Mr. Chan Hank Daniel
(resigned on 1 July 2023)

COMPLIANCE ADVISER

Vinco Financial Limited
Unit 2602, 26/F, The Center
99 Queen's Road Central
Hong Kong

AUDITOR

Yongtuo Fuson CPA Limited
Unit 1020, 10/F, Tower B
New Mandarin Plaza
14 Science Museum Road
Tsim Sha Tsui East
Kowloon

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

64 Woodlands Industrial Park E9
Singapore 757833

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

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

INTERIM RESULTS

The board of Directors (the “Board”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June 2023, together with the unaudited comparative figures for the corresponding period of 2022, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2023

	Note	Three months ended 30 June		Six months ended 30 June	
		2023 S\$ (Unaudited)	2022 S\$ (Unaudited)	2023 S\$ (Unaudited)	2022 S\$ (Unaudited)
Revenue	3	3,619,598	568,880	7,221,802	3,643,399
Cost of services		(2,743,360)	(2,668,006)	(6,028,195)	(5,847,865)
Gross profit (loss)		876,238	(2,099,126)	1,193,607	(2,204,466)
Other income	4	45,941	94,486	138,265	194,041
Selling expenses		(45,855)	(50,745)	(100,204)	(85,612)
Administrative expenses		(1,689,940)	(912,918)	(2,777,621)	(1,757,256)
Finance costs	5	(22,289)	(36,579)	(51,726)	(89,565)
Loss before taxation	6	(835,905)	(3,004,882)	(1,597,679)	(3,942,858)
Income tax expense	7	—	—	—	—
Loss for the period		(835,905)	(3,004,882)	(1,597,679)	(3,942,858)
Other comprehensive expense					
<i>Item that was subsequently reclassified to profit or loss</i>		—	—	(36,856)	(38,992)
Total comprehensive expense for the period		(835,905)	(3,004,882)	(1,634,535)	(3,981,850)
Basic loss per share <i>(S\$ cents)</i>	9	(0.17)	(0.63)	(0.33)	(0.82)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		As at 30 June 2023 S\$ (Unaudited)	As at 31 December 2022 S\$ (Audited)
Non-current assets			
Property, plant & equipment	12	1,714,068	2,080,296
Right-of-use assets	13	613,137	950,587
Investment properties		2,445,243	2,471,877
Deferred tax assets		326,954	326,954
		5,099,402	5,829,714
Current assets			
Trade receivables	14	1,819,394	2,213,188
Contract assets	15	3,359,392	4,247,481
Deposits, prepayments and other receivables	16	1,374,006	435,544
Pledged bank deposits		500,000	589,500
Bank balances and cash		1,173,762	4,696,989
		8,226,554	12,182,702
Current liabilities			
Trade and other payables	17	1,993,811	2,621,116
Contract liabilities	15	249,444	514,271
Lease liabilities	13	373,637	476,061
Borrowings		49,162	2,739,198
		2,666,054	6,350,646
Net current assets		5,560,500	5,832,056
Total assets less current liabilities		10,659,902	11,661,770

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2023

	Note	As at 30 June 2023 S\$ (Unaudited)	As at 31 December 2022 S\$ (Audited)
Non-current liabilities			
Lease liabilities	13	319,339	508,083
Borrowings		821,411	—
		1,140,750	508,083
Net assets			
		9,519,152	11,153,687
Capital and reserves			
Share capital	18	827,586	827,586
Share premium		8,613,061	8,613,061
Merger reserves		2,999,983	2,999,983
Translation reserve		—	36,856
Accumulated profits		(2,921,478)	(1,323,799)
Equity attributable to owners of the Company			
		9,519,152	11,153,687

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Share capital	Share premium	Merger reserves	Accumulated profits (losses)	Translation Reserve	Total
	S\$	S\$	S\$	S\$	S\$	S\$
At 1 January 2022 (audited)	827,586	8,613,061	2,999,983	5,440,753	38,992	17,920,375
<i>Total comprehensive expense for the period:</i>						
Loss for the period	—	—	—	(3,942,858)	—	(3,942,858)
Other comprehensive expense for the period	—	—	—	—	(38,992)	(38,992)
Total	—	—	—	(3,942,858)	(38,992)	(3,981,850)
At 30 June 2022 (unaudited)	827,586	8,613,061	2,999,983	1,497,895	—	13,938,525
At 1 January 2023 (audited)	827,586	8,613,061	2,999,983	(1,323,799)	36,856	11,153,687
<i>Total comprehensive expense for the period:</i>						
Loss for the period	—	—	—	(1,597,679)	—	(1,597,679)
Other comprehensive expense for the period	—	—	—	—	(36,856)	(36,856)
Total	—	—	—	(1,597,679)	(36,856)	(1,634,535)
At 30 June 2023 (unaudited)	827,586	8,613,061	2,999,983	(2,921,478)	—	9,519,152

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	S\$	S\$
	(Unaudited)	(Unaudited)
Net cash (used in) from operating activities	(1,367,468)	505,794
Net cash used in investing activities	—	(60,196)
Net cash used in financing activities	(2,118,903)	(626,502)
Net decrease in cash and cash equivalents	(3,486,371)	(180,904)
Cash and cash equivalents at beginning of the period	4,696,989	5,563,915
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	(36,856)	(38,992)
Cash and cash equivalents at end of the period	1,173,762	5,344,019

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

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 issued shares of the Company (the "Shares") are listed on GEM of the Stock Exchange with effect from 17 November 2017.

The Company is an investment holding company and its operating subsidiaries, are engaged in the designing, supplying, fabricating and erecting structural steel-works 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 interim financial information is presented in Singapore Dollar ("S\$"), which is also the functional currency of the Company.

The unaudited consolidated interim financial information was approved by the Board on 14 August 2023.

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial results should be read in conjunction with the audited financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). For these unaudited consolidated financial results, the Group has applied the new and amendments to IFRSs and interpretations. The adoption of new and revised standards did not have substantial effect on the financial performance and position of the Group.

3. REVENUE AND SEGMENT INFORMATION

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

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 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.

3. REVENUE AND SEGMENT INFORMATION (continued)

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

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from:				
Provision of structural steel-works services	3,619,598	568,880	7,221,802	3,643,399

Major customers

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

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Customer I	791,850	429,970	1,517,396	2,618,723
Customer II	638,085	N/A*	1,378,263	N/A*
Customer III	581,745	N/A*	1,169,488	N/A*

* 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:

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Singapore	3,619,598	568,880	7,221,802	3,643,399

4. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2023 S\$ (Unaudited)	2022 S\$ (Unaudited)	2023 S\$ (Unaudited)	2022 S\$ (Unaudited)
Insurance claim receipt	—	—	31,496	—
Government grants	—	57,450	17,758	125,137
Rental income	42,825	36,412	85,895	68,280
Sundry income	3,116	624	3,116	624
	45,941	94,486	138,265	194,041

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2023 S\$ (Unaudited)	2022 S\$ (Unaudited)	2023 S\$ (Unaudited)	2022 S\$ (Unaudited)
Interest on:				
Bank borrowings				
— wholly repayable				
within five years	8,948	22,392	23,590	59,221
— not wholly repayable				
within five years	—	489	—	1,167
Lease liabilities	13,341	13,698	28,136	29,177
	22,289	36,579	51,726	89,565

6. LOSS BEFORE TAXATION

	Three months ended 30 June		Six months ended 30 June	
	2023 S\$ (Unaudited)	2022 S\$ (Unaudited)	2023 S\$ (Unaudited)	2022 S\$ (Unaudited)
Loss for the period has been arrived at after charging:				
Depreciation of property, plant and equipment:				
— Recognised in cost of services	44,104	45,037	89,778	90,838
— Recognised in administrative expenses	75,877	179,374	256,976	358,968
Depreciation of right-of-use assets:				
— Recognised in cost of services	84,093	82,336	168,185	164,672
— Recognised in administrative expenses	54,581	63,422	109,162	123,860
Depreciation of investment properties	13,317	13,317	26,633	26,633
Directors' remuneration	194,528	110,545	335,966	252,240
Other staff costs				
— Salaries and wages	825,927	638,451	1,660,312	1,313,213
— Defined contribution plans	93,552	14,871	108,977	29,670
— Other staff benefits	2,262	13,719	18,879	33,160
Total staff costs (inclusive of Directors' remuneration)	1,116,269	777,586	2,124,134	1,628,283
Cost of materials recognised as expenses	720,438	902,941	1,659,719	2,263,356
Subcontractor costs recognised as expenses	1,399,490	1,077,176	2,674,005	2,007,999

7 INCOME TAX EXPENSE

Singapore CIT is calculated at 17% (2022: 17%) of the estimated assessable profit. No Singapore CIT has been provided for the three months and six months ended 30 June 2023 and 2022 as the Group did not derive any assessable profit subject to Singapore CIT.

8. DIVIDEND

The Directors do not recommend the payment of dividend for the six months ended 30 June 2023 (2022: Nil).

9. LOSS PER SHARE

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

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

	Three months ended 30 June		Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Loss attributable to the owners of the Company (S\$)	(835,905)	(3,004,882)	(1,597,679)	(3,942,858)
Weighted average number of ordinary shares in issue	480,000,000	480,000,000	480,000,000	480,000,000
Basic loss per share (S\$ cents)	(0.17)	(0.63)	(0.33)	(0.82)

10. RELATED PARTY TRANSACTIONS

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

The remuneration of the Directors and other members of key management during the period were as follows:

	Three months ended 30 June		Six months ended 30 June	
	2023 S\$ (Unaudited)	2022 S\$ (Unaudited)	2023 S\$ (Unaudited)	2022 S\$ (Unaudited)
Short term benefits	203,726	120,000	323,726	240,000
Post-employment benefits	6,120	6,120	12,240	12,240
	209,846	126,120	335,966	252,240

11. RESERVES

During the period under review, there was no movement to and from any reserves other than loss for the six months ended 30 June 2023.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets with aggregate cost of approximately S\$Nil (2022: approximately S\$60,000) of which S\$Nil (2022: Nil) was acquired under finance leases.

The Group incurred depreciation expenses for the six months ended 30 June 2023 of approximately S\$347,000 (2022: approximately S\$450,000).

13. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

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

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

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

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

The Group incurred depreciation expenses on right-of-use assets for the six months ended 30 June 2023 of approximately S\$277,000 (2022: approximately S\$289,000).

The lease liabilities include lease liabilities under finance lease of approximately S\$Nil (31 December 2022: lease liabilities under finance lease of approximately S\$15,000).

14. TRADE RECEIVABLES

	As at 30 June 2023 S\$ (Unaudited)	As at 31 December 2022 S\$ (Audited)
Trade receivables	37,568	1,435,521
Less: Loss allowance	(88,945)	(88,945)
Unbilled revenue ^(Note)	1,870,771	866,612
	1,819,394	2,213,188

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

14. TRADE RECEIVABLES (continued)

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

	As at 30 June 2023 S\$ (Unaudited)	As at 31 December 2022 S\$ (Audited)
Within 30 days	37,568	1,235,777
Over 31 days	—	110,799
	37,568	1,346,576

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

The Group applied simplified approach to provide the expected credit losses prescribed by IFRS 9.

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

The Directors considered that the ECL for trade receivables is insignificant as at 30 June 2023.

15. CONTRACT ASSETS (LIABILITIES)

	As at 30 June 2023 S\$ (Unaudited)	As at 31 December 2022 S\$ (Audited)
Analysed for reporting purposes as:		
Contract assets	3,359,392	4,247,481
Contract liabilities	(249,444)	(514,271)
	3,109,948	3,733,210

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.

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

The Directors considered that the ECL for contract assets is insignificant as at 30 June 2023.

16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2023 S\$ (Unaudited)	As at 31 December 2022 S\$ (Audited)
Deposits	82,544	92,186
Prepayments	322,046	341,570
Sundry debtors	969,416	1,788
	1,374,006	435,544

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

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

17. TRADE AND OTHER PAYABLES

	As at 30 June 2023 S\$ (Unaudited)	As at 31 December 2022 S\$ (Audited)
Trade payables	1,297,073	1,698,922
GST payables	109,476	104,958
Other payables	158,380	387,421
Deposits received	42,550	39,237
Provision for unutilised leave	27,476	27,476
Salaries and CPF payables	358,856	363,102
	1,993,811	2,621,116

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

	As at 30 June 2023 S\$ (Unaudited)	As at 31 December 2022 S\$ (Audited)
Within 30 days	1,297,073	1,107,418
31 days to 60 days	—	338,115
61 days to 90 days	—	186,325
Over 90 days	—	67,064
	1,297,073	1,698,922

18. SHARE CAPITAL

Details of movements of authorised and issued capital of the Company are as follows:

	Number of Shares	Share Capital HK\$
Authorised share capital of the Company:		
At 1 January 2022, 31 December 2022 (audited) and 30 June 2023 (unaudited)	5,000,000,000	50,000,000
	<hr/>	<hr/>
	Number of Shares	Share Capital S\$
Issued and fully paid of the Company:		
At 1 January 2022, 31 December 2022 (audited) and 30 June 2023 (unaudited)	480,000,000	827,586
	<hr/>	<hr/>

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

General

For the financial period to date, the Group is principally engaged in the design, supply, fabrication 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 six months ended 30 June 2023, the Group recorded an unaudited revenue of approximately S\$7,222,000 (2022: approximately S\$3,643,000) and loss of approximately S\$1,598,000 (2022: approximately S\$3,943,000).

The Group turned from a gross loss position of approximately S\$2,204,000 for the six months ended 30 June 2022 to a gross profit position of approximately S\$1,194,000 for the six months ended 30 June 2023, which was mainly due to significantly increase of revenue contributed by new projects coming in after COVID-19 pandemic.

Other income for the six months ended 30 June 2023 was approximately S\$138,000 (2022: approximately S\$194,000).

Selling and administrative expenses for the six months ended 30 June 2023 was approximately S\$2,878,000 (2022: approximately S\$1,843,000), representing an increase of approximately of S\$1,035,000 which was mainly due to (1) the increase in expenses related to mandatory cash offers, (2) the increase in the wages and salaries due to the employment of the foreign workers and (3) the increase in the repair and maintenance of property, plant and equipment.

For the reasons set out above, the Group recorded a loss before taxation for the six months ended 30 June 2023 of approximately S\$1,598,000 (2022: approximately S\$3,943,000) representing a decrease of approximately S\$2,345,000 as compared with the corresponding period of last year.

FINANCIAL REVIEW (continued)

Liquidity, Financial Resources and Capital Structure

The Group's exposure to liquidity risk arises in the general funding of the Group's operations, in particular, that the duration of the contracts spans from one month to one year and during which the amount of progress claim vary 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 monitor the operation cash flows to ensure adequate working capital funds and repayment schedule is met.

The Group's net current assets was approximately S\$5,561,000 (31 December 2022: approximately S\$5,832,000) and the Group has cash and cash equivalent of approximately S\$1,174,000 (31 December 2022: approximately S\$4,697,000) which were placed with major banks in Singapore, Hong Kong and Malaysia. The significant decrease of the cash and cash equivalent was mainly due to the repayment of bank borrowings during the six months ended 30 June 2023.

For the period under review, the net cash used in operating activities was approximately S\$1,367,000.

As at 30 June 2023, the Group's borrowings comprised the lease liabilities of approximately S\$Nil exclusive of lease liabilities in relation to the addition of IFRS 16 of approximately S\$693,000 (31 December 2022: lease liabilities of approximately S\$15,000 exclusive of lease liabilities in relation to the addition of IFRS 16 of approximately S\$969,000) and bank borrowings of approximately S\$871,000 (31 December 2022: approximately S\$2,739,000).

The Group's current ratio was approximately 3.1 times (31 December 2022: approximately 1.9 times). The gearing ratio is calculated based on the total borrowings divided by the total equity as the respective periods end. The Group's gearing ratio was approximately 9.1% (31 December 2022: approximately 24.7%).

The Group's total equity attributable to owners of the Group amounted to approximately S\$9,519,000 (31 December 2022: approximately S\$11,154,000). The capital of the Group mainly comprises share capital and reserves.

FINANCIAL REVIEW (continued)

Foreign Exchange Exposure

The Group transacts mainly in Singapore dollars, which is the functional currency of the Group. The cash held and the borrowings made by the Group were primarily denominated in Singapore dollars. 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.

Reserves

Movement in the reserves of the Group for the six months ended 30 June 2023 are set out above in the unaudited condensed consolidated statement of changes in equity.

Dividend

No dividend was paid, proposed or declared for the ordinary shareholders of the Company (the "Shareholders") for the six months ended 30 June 2023 (2022: Nil).

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\$Nil as at 30 June 2023 (as at 31 December 2022: approximately S\$35,000).

Capital Commitments

As at 30 June 2023, the Group did not have any capital commitments (2022: Nil).

Contingent Liabilities

As at 30 June 2023, the Group did not have any contingent liabilities (2022: Nil).

FINANCIAL REVIEW (continued)

Employee Information

As at 30 June 2023, the Group had an aggregate of 131 (31 December 2022: 131) 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 contractual basis of one or two years and are remunerated according to their work skills. The Company has also adopted the share option scheme to incentivise employees of the Company.

Total staff costs, including the Directors' emoluments, amounted to approximately S\$2,124,000 for the six months ended 30 June 2023 (2022: approximately S\$1,628,000).

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 30 October 2017 (the "Prospectus") with the Group's actual business progress, from 17 November 2017, being the date of listing (the "Listing") of the Shares on GEM of the Stock Exchange, to 30 June 2023 (the "Review Period") is set out below:

Business strategies	Actual business progress during the Review Period
— Purchase of new fabrication facility	— The Group has fully utilised approximately HK\$20.4 million for the purchase of new fabrication facility
— Expand our workforce to support our business expansion	— The Group has fully utilised approximately HK\$0.8 million for the expansion of workforce in 2018 to support business expansion
— Purchase of machineries for new fabrication facility	— The Group has utilised approximately HK\$1.7 million for the purchase of machineries for the leased property located at 12 Sungei Kadut Loop, Singapore 729456 (the "Leased Property"). The remaining amount of approximately HK\$13.0 million is expected to be utilised by 31 December 2023 which is delayed due to the outbreak of COVID-19

USE OF PROCEEDS

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

As at 30 June 2023, the net proceeds from the Listing have been utilised in the following manner:

	Use of proceeds as allocated in accordance with the Prospectus (Note (1))	Use of proceeds up to 31 December 2022	Use of proceeds for the six months ended 30 June 2023	Use of proceeds from the Listing up to 30 June 2023	Unutilised proceeds as at 30 June 2023
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Purchase price of new fabrication facility	20.4	20.4	—	20.4 ⁽²⁾	—
Purchase of machineries for new fabrication facility	14.7	1.7	—	1.7 ⁽³⁾	13.0 ⁽³⁾
Expansion of workforce to support business expansion	0.8	0.8	—	0.8	—

Notes:

- (1) The actual amounts allocated have been adjusted to reflect the percentage of the net proceeds actually received pursuant to the Listing.
- (2) As stated in the Prospectus, the Group intended to utilise the proceeds from the Listing to purchase a new fabrication facility by 30 June 2018. However, the Group only identified the Leased Property in the first quarter of 2019 after searching for suitable properties within the vicinity and engaging in negotiations with potential sellers. As at 30 June 2023, the Group has utilised the net proceeds raised as deposits and payment of remaining purchase consideration after the execution of the share purchase agreement for the acquisition of the entire issued shares in Kay Huat Trading Company Private Limited in relation to the Leased Property.
- (3) Such amount was utilised as down payment for the purchase of machineries for the Leased Property. The remaining amount of approximately HK\$13.0 million unutilised net proceeds is expected to be utilised by 31 December 2023.

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

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

BUSINESS REVIEW

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\$7,222,000 and S\$3,643,000 for the six months ended 30 June 2023 and 2022, respectively.

The loss for the six months ended 30 June 2023 was approximately S\$1,598,000 (2022: approximately S\$3,943,000) representing a decrease of approximately S\$2,345,000 as compared with the corresponding period of last year. Such change was mainly due to significant increase of revenue contributed by new projects coming in after COVID-19 pandemic.

The Group's strategies are to expand and strengthen its market position in the structural steel work industry in Singapore through the expansion of its 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. Structural steel is a critical component in many of these projects.

The implementation of these major projects will lead to a rise in the need for design and consultancy expertise among steel fabricators. This, in turn, will boost their skills and efficiency, rendering them more advantageous for upcoming undertakings. Consequently, the Company's management is proactively pursuing projects from different clients to mitigate the risk of relying too heavily on a single customer. Simultaneously, the Company's management is also expanding the Group's current capacity to effectively address heightened demands.

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

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

BUSINESS REVIEW (continued)

Prospect

Economic outlook for 2023

Total construction demand in 2023 is projected to range between S\$27 billion and S\$32 billion, similar to last year's projection — Memorandums of Understanding signed to step up transformation efforts across the Built Environment value chain.

The Building and Construction Authority (BCA) projects the total construction demand in 2023 (i.e. the value of construction contracts to be awarded) to range between approximately S\$27 billion and S\$32 billion. The public sector is expected to contribute about 60 per cent of the total construction demand, between approximately S\$16 billion and S\$19 billion. This is supported by a continued strong pipeline of public housing projects amid Housing Development Board's (HDB) ramping up of Build-To-Order (BTO) flats supply. Industrial and institutional building construction is expected to contribute strongly to public sector demand, with more projects for the construction of water treatment plants, educational buildings and community clubs. Civil engineering construction demand is anticipated to stay firm with continued support from MRT line construction and other infrastructure works. Private sector construction demand is projected to be between approximately S\$11 billion and S\$13 billion in 2023, comparable with 2022 figures. Both residential and industrial building construction demand are expected to be similar to last year's level, underpinned by the development of new condominiums and high-specification industrial buildings. Due to the rescheduling of some major projects from 2022 to 2023 as well as the redevelopment of old commercial premises to enhance asset values, commercial building demand is anticipated to increase.

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, 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 the Directors, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2023, the register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 June 2023, 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	Number of underlying shares held	Approximate percentage of the issued share capital
Million Treasure International Holdings Limited ⁽¹⁾	Beneficial owner	329,510,000	66,405,000	82.48%
Mr. Zhang Zhang	Interest of the controlled corporation ⁽²⁾	329,510,000	66,405,000	82.48%

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

Aggregate long positions in the shares and underlying shares of the Company (continued)

Notes:

- (1) On 5 September 2022, Million Treasure International Holdings Limited as the purchaser entered into a sale and purchase agreement with Broadville Limited as the vendor for the sale and purchase of 331,790,000 shares and 66,358,000 warrants of the Company and the sale and purchase was completed on 14 March 2023.
- (2) Million Treasure International Holdings Limited is owned by Mr. Zhang Zhang as to 80%, Ms. Li Heliang as to 10% and Mr. Wang Jiandong as to 10%. Under the SFO, Mr. Zhang Zhang is deemed to be interested in all the shares of the Company held by Million Treasure International Holdings Limited.

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 30 June 2023.

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 six months ended 30 June 2023.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY THE DIRECTORS

During the six months ended 30 June 2023, 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 code provisions of the Corporate Governance Code (the “CG Code”) as set out in Part 2 of Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code during the six months ended 30 June 2023.

Code provision C.2.1 of the CG Code states that the roles of chairperson and chief executive officer should be separate and should not be performed by the same individual. Ms. Chen Xiaoyu is the chairperson of the Board. The position of chief executive officer of the Company remains vacant. The responsibilities of the chief executive officer are taken up by the executive Directors. The Board believes that this arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company’s objectives efficiently and effectively. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management.

INTERESTS OF THE COMPLIANCE ADVISER

As at 30 June 2023, neither Vinco Financial 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.

BONUS WARRANTS ISSUES

The Company has issued bonus warrants on the basis of one warrant for every five existing shares held on 6 August 2021. The subscription rights attached to the bonus warrants will be exercisable from 24 August 2021 to 23 August 2023 (both days inclusive). Any subscription rights which had not been exercised by 4:00 p.m. on 23 August 2023, would lapse and the certificates of the warrants would cease to be valid for any purpose. A total of 96,000,000 warrants (warrant code: 8209) were issued by the Company to the shareholders on 24 August 2021 pursuant to the general mandate granted to the Directors at the Company's annual general meeting held on 22 June 2021 with initial subscription price of HK\$4.00 per new share (subject to adjustment).

None of the warrants were exercised and the Company did not receive any subscription monies during the six months ended 30 June 2023.

SHARE OPTION SCHEME

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

As at 1 January 2023 and 30 June 2023, no share option was outstanding under the Scheme. No share option has been granted, exercised, cancelled or lapsed under the Scheme since its adoption, and 48,000,000 Shares were available for grant under the Scheme, which represent 10% of the issued share capital of the Company as at the date of this report.

DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2023 (2022: Nil).

SIGNIFICANT INVESTMENT HELD

The Group did not hold any significant investment for the six months ended 30 June 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no specific future plan for material investments or capital assets as at 30 June 2023.

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 six months ended 30 June 2023.

EVENTS AFTER THE FINANCIAL PERIOD

No significant events have taken place after the six months ended 30 June 2023 to the date of this report.

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 D.3 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The Audit Committee consists of three independent non-executive Directors, namely Mr. Wong Carson Ka Chun, Ms. Chen Li and Mr. Tong Kai Tak. Mr. Wong Carson Ka Chun, 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.

AUDIT COMMITTEE (continued)

The Audit Committee has reviewed the unaudited results for the six months ended 30 June 2023 and has provided advice and comments thereon.

By order of the Board
GT Steel Construction Group Limited
Chen Xiaoyu
Chairperson and Executive Director

Singapore, 14 August 2023

As at the date of this report, the Board comprises two executive Directors, namely, Ms. Chen Xiaoyu (Chairperson) and Mr. Ong Cheng Yew; four non-executive Directors, namely, Ms. Lin Xiaoqin, Mr. Chan Kwun Wah Derek, Ms. Yang Pu and Mr. Shi Shuyuan; and three independent non-executive Directors, namely, Mr. Wong Carson Ka Chun, Mr. Tong Kai Tak and Ms. Chen Li.

This report will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.hk for at least 7 days from the date of its publication. This report will also be published on the Company’s website at www.gt-steel.com.sg.