



GT STEEL Construction Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8402

INTERIM REPORT
2022

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

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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

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

Non-executive Director

Ms. Lin Xiaoqin

Independent non-executive Directors

Mr. Tam Wai Tak Victor
 Ms. Chooi Pey Nee
 Mr. Tan Yeok Lim (Chen Yulin)

AUDIT COMMITTEE MEMBERS

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

NOMINATION COMMITTEE MEMBERS

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

REMUNERATION COMMITTEE MEMBERS

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

COMPLIANCE OFFICER

Mr. Ong Cheng Yew

COMPANY SECRETARY

Mr. Chan Hank Daniel

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

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

64 Woodlands Industrial Park E9
 Singapore 757833

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE (CAP 622 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 2022, together with the unaudited comparative figures for the corresponding period of 2021, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2022

	Note	Three months ended 30 June		Six months ended 30 June	
		2022	2021	2022	2021
		S\$ (Unaudited)	S\$ (Unaudited)	S\$ (Unaudited)	S\$ (Unaudited)
Revenue	3	568,880	6,493,295	3,643,399	13,953,017
Cost of services		(2,668,006)	(6,733,681)	(5,847,865)	(13,987,081)
Gross loss		(2,099,126)	(240,386)	(2,204,466)	(34,064)
Other income	4	94,486	119,580	194,041	260,856
Selling expenses		(50,745)	(41,558)	(85,612)	(87,989)
Administrative expenses		(912,918)	(1,130,281)	(1,757,256)	(2,109,690)
Finance costs	5	(36,579)	(64,316)	(89,565)	(128,648)
Loss before taxation	6	(3,004,882)	(1,356,961)	(3,942,858)	(2,099,535)
Income tax expense	7	—	—	—	—
Loss for the period		(3,004,882)	(1,356,961)	(3,942,858)	(2,099,535)
Other comprehensive expense					
<i>Item that was subsequently reclassified to profit or loss</i>		—	—	(38,992)	(8,649)
Total comprehensive expense for the period		(3,004,882)	(1,356,961)	(3,981,850)	(2,108,184)
Basic loss per share <i>(S\$ cents)</i>	9	(0.63)	(0.28)	(0.82)	(0.44)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	As at 30 June 2022 S\$ (Unaudited)	As at 31 December 2021 S\$ (Audited)
Non-current assets			
Property, plant & equipment	12	2,392,637	2,735,547
Right-of-use assets	13	922,903	1,243,435
Investment properties		2,498,510	2,525,143
Deferred tax assets		326,954	326,954
		6,141,004	6,831,079
Current assets			
Inventories	14	436,144	872,289
Trade receivables	15	5,659,545	2,373,793
Contract assets	16	1,759,835	8,716,601
Deposits, prepayments and other receivables	17	638,342	220,738
Income tax receivable		3,480	3,480
Pledged bank deposits		589,500	589,500
Bank balances and cash		5,344,019	5,563,915
		14,430,865	18,340,316
Current liabilities			
Trade and other payables	18	2,265,844	2,327,868
Contract liabilities	16	—	18,088
Lease liabilities	13	221,357	534,553
Borrowings		1,061,044	968,628
		3,548,245	3,849,137
Net current assets		10,882,620	14,491,179
Total assets less current liabilities		17,023,624	21,322,258

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2022

	Note	As at 30 June 2022 S\$ (Unaudited)	As at 31 December 2021 S\$ (Audited)
Non-current liabilities			
Lease liabilities	13	668,657	660,086
Borrowings		2,416,442	2,741,797
		3,085,099	3,401,883
Net assets		13,938,525	17,920,375
Capital and reserves			
Share capital	19	827,586	827,586
Share premium		8,613,061	8,613,061
Merger reserves		2,999,983	2,999,983
Translation reserve		—	38,992
Accumulated profits		1,497,895	5,440,753
Equity attributable to owners of the Company		13,938,525	17,920,375

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Share Capital S\$	Share Premium S\$	Merger Reserves S\$	Translation Reserve S\$	Accumulated Profits S\$	Total S\$
At 1 January 2021 (audited)	827,586	8,613,061	2,999,983	8,649	14,995,562	27,444,841
Total comprehensive expense for the period	—	—	—	(8,649)	(2,099,535)	(2,108,184)
At 30 June 2021 (unaudited)	827,586	8,613,061	2,999,983	—	12,896,027	25,336,657
At 1 January 2022 (audited)	827,586	8,613,061	2,999,983	38,992	5,440,753	17,920,375
Total comprehensive expense for the period	—	—	—	(38,992)	(3,942,858)	(3,981,850)
At 30 June 2022 (unaudited)	827,586	8,613,061	2,999,983	—	1,497,895	13,938,525

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	S\$	S\$
	(Unaudited)	(Unaudited)
Net cash from (used in) operating activities	505,794	(744,402)
Net cash used in investing activities	(60,196)	(289,268)
Net cash used in financing activities	(626,502)	(3,129,384)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(180,904)	(4,163,054)
Cash and cash equivalents at beginning of the period	5,563,915	7,554,507
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	(38,992)	(8,649)
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	5,344,019	3,382,804

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.

Broadbville Limited ("Broadbville"), a company incorporated in the British Virgin Islands ("BVI") with limited liability, is the Company's ultimate holding company. Its ultimate controlling party is Mr. Ong Cheng Yew, who is the chairman and managing director of the Company.

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 11 August 2022.

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 2021, 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.

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

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from:				
Provision of structural steel-works services	568,880	6,493,295	3,643,399	13,953,017

3. REVENUE AND SEGMENT INFORMATION (continued)

Major customers

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

	Three months ended 30 June		Six months ended 30 June	
	2022 S\$ (Unaudited)	2021 S\$ (Unaudited)	2022 S\$ (Unaudited)	2021 S\$ (Unaudited)
Customer I	429,970	—	2,618,723	1,823,936
Customer II	N/A*	1,177,524	N/A*	3,009,380
Customer III	N/A*	1,573,451	N/A*	1,573,451

* 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 30 June		Six months ended 30 June	
	2022 S\$ (Unaudited)	2021 S\$ (Unaudited)	2022 S\$ (Unaudited)	2021 S\$ (Unaudited)
Singapore	568,880	6,493,295	3,643,399	13,953,017

4. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2022 S\$ (Unaudited)	2021 S\$ (Unaudited)	2022 S\$ (Unaudited)	2021 S\$ (Unaudited)
Insurance claim receipt	—	1,453	—	1,453
Government grants	57,450	85,208	125,137	194,188
Rental income	36,412	32,297	68,280	64,593
Sundry income	624	622	624	622
	94,486	119,580	194,041	260,856

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2022 S\$ (Unaudited)	2021 S\$ (Unaudited)	2022 S\$ (Unaudited)	2021 S\$ (Unaudited)
Interest on:				
Bank borrowings				
— wholly repayable				
within five years	22,392	33,757	59,221	69,254
— not wholly repayable				
within five years	489	11,941	1,167	20,467
Lease liabilities	13,698	18,618	29,177	38,927
	36,579	64,316	89,565	128,648

6. LOSS BEFORE TAXATION

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:				
Depreciation of property, plant and equipment:				
— Recognised in cost of services	45,037	32,275	90,838	77,287
— Recognised in administrative expenses	179,374	140,190	358,968	336,887
Depreciation of right-of-use assets:				
— Recognised in cost of services	82,336	80,926	164,672	161,851
— Recognised in administrative expenses	63,422	44,915	123,860	149,215
Depreciation of investment properties	13,317	13,317	26,633	26,633
Directors' remuneration	110,545	110,673	252,240	252,240
Other staff costs				
— Salaries and wages	638,451	874,581	1,313,213	1,745,701
— Defined contribution plans	14,871	15,511	29,670	35,129
— Other staff benefits	13,719	36,057	33,160	70,449
Total staff costs (inclusive of Directors' remuneration)	777,586	1,036,822	1,628,283	2,103,519
Cost of materials recognised as expenses	902,941	1,332,206	2,263,356	4,243,438
Subcontractor costs recognised as expenses	1,077,176	4,149,923	2,007,999	7,267,472

7 INCOME TAX EXPENSE

Singapore CIT is calculated at 17% (2021: 17%) of the estimated assessable profit. No Singapore CIT has been provided for the three months and six months ended 30 June 2022 and 2021 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 2022 (2021: 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	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Loss attributable to the owners of the Company (S\$)	(3,004,882)	(1,356,961)	(3,942,858)	(2,099,535)
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)	(0.63)	(0.28)	(0.82)	(0.44)

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	
	2022 S\$ (Unaudited)	2021 S\$ (Unaudited)	2022 S\$ (Unaudited)	2021 S\$ (Unaudited)
Short term benefits	120,000	145,327	240,000	290,654
Post-employment benefits	6,120	7,799	12,240	15,598
	126,120	153,126	252,240	306,252

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 2022.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired assets with aggregate cost of approximately S\$60,000 (2021: approximately S\$289,000) of which S\$Nil (2021: Nil) was acquired under finance leases.

The Group incurred depreciation expenses for the six months ended 30 June 2022 of approximately S\$450,000 (2021: approximately S\$414,000).

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 2022 of approximately S\$289,000 (2021: approximately S\$311,000).

The lease liabilities include lease liabilities under finance lease of approximately S\$27,000 (31 December 2021: lease liabilities under finance lease of approximately S\$54,000).

14. INVENTORIES

	As at 30 June 2022 S\$ (Unaudited)	As at 31 December 2021 S\$ (Audited)
Structural steelworks and direct costs	436,144	872,289

15. TRADE RECEIVABLES

	As at 30 June 2022 S\$ (Unaudited)	As at 31 December 2021 S\$ (Audited)
Trade receivables	1,813,344	1,118,435
Less: Loss allowance	(88,945)	(88,945)
Unbilled revenue ^(Note)	3,935,146	1,344,303
	5,659,545	2,373,793

Note: 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 30 June 2022 S\$ (Unaudited)	As at 31 December 2021 S\$ (Audited)
Within 30 days	100,045	654,066
31 days to 60 days	940,721	232,611
61 days to 90 days	683,633	—
Over 90 days	—	142,813
	1,724,399	1,029,490

15. TRADE RECEIVABLES (continued)

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 2022.

16. CONTRACT ASSETS (LIABILITIES)

	As at 30 June 2022 S\$ (Unaudited)	As at 31 December 2021 S\$ (Audited)
Analysed for reporting purposes as:		
Contract assets	1,759,835	8,716,601
Contract liabilities	—	(18,088)
	1,759,835	8,698,513

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 2022.

17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at	As at
	30 June	31 December
	2022	2021
	S\$	S\$
	(Unaudited)	(Audited)
Deposits	102,402	78,892
Prepayments	492,986	98,639
Government grant receivables	42,954	42,954
Sundry debtors	—	253
	638,342	220,738

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.

18. TRADE AND OTHER PAYABLES

	As at	As at
	30 June	31 December
	2022	2021
	S\$	S\$
	(Unaudited)	(Audited)
Trade payables	1,442,309	1,320,747
GST payables	115,844	146,081
Other payables	206,260	275,266
Deferred grants	22,649	22,649
Deposits received	27,375	24,267
Provision for unutilised leave	57,141	57,141
Salaries and CPF payables	394,266	481,717
	2,265,844	2,327,868

18. TRADE AND OTHER PAYABLES (continued)

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 2022 S\$ (Unaudited)	As at 31 December 2021 S\$ (Audited)
Within 30 days	243,837	465,996
31 days to 60 days	1,146,020	429,698
61 days to 90 days	13,915	312,914
Over 90 days	38,537	112,139
	1,442,309	1,320,747

19. 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 2021, 31 December 2021 (audited) and 30 June 2022 (unaudited)	5,000,000,000	50,000,000
	Number of Shares	Share Capital S\$
Issued and fully paid of the Company:		
At 1 January 2021, 31 December 2021 (audited) and 30 June 2022 (unaudited)	480,000,000	827,586

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 2022, the Group recorded an unaudited revenue of approximately S\$3,643,000 (2021: approximately S\$13,953,000) and loss of approximately S\$3,943,000 (2021: approximately S\$2,100,000).

The gross loss for the six months ended 30 June 2022 was approximately S\$2,204,000 (2021: approximately S\$34,000).

The gross loss for the period is mainly contributed by (1) new projects coming in at a slower pace, and the new projects start only in the 3rd quarter of 2022, (2) fluctuation of the price of steel due to changes in market supply and demand, which is driven by factors such as global economic conditions and the production capacities of steel mill, (3) higher subcontractor costs due to staggering start times and implementation of shift for the social distance safety purpose due to the novel coronavirus disease (the "COVID-19"), and (4) higher costs of recruiting migrant workers, owing to the continued risks posed by COVID-19.

Other income for the six months ended 30 June 2022 was approximately S\$194,000 (2021: approximately S\$261,000).

Selling and administrative expenses for the six months ended 30 June 2022 was approximately S\$1,843,000 (2021: approximately S\$2,198,000), representing an decrease of approximately of S\$355,000 which was mainly due to the decrease in expenses on factory maintenance.

The Group recorded a loss before taxation for the six months ended 30 June 2022 of approximately S\$3,943,000 (2021: approximately S\$2,100,000) representing an increase of approximately S\$1,843,000 as compared with the corresponding period of last year. The increase is driven by (1) the lower revenue (2) new projects coming in at a slower pace, (3) fluctuation of the price of steel due to changes in market supply and demand, which is driven by factors such as global economic conditions and the production capacities of steel mill, (4) higher subcontractor costs due to shortage of foreign workers.

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\$10,883,000 (31 December 2021: approximately S\$14,491,000) and the Group has cash and cash equivalent of approximately S\$5,344,000 (31 December 2021: approximately S\$5,564,000) which were placed with major banks in Singapore, Hong Kong and Malaysia.

For the period under review, the net cash from operating activities was approximately S\$506,000.

As at 30 June 2022, the Group's borrowings comprised the lease liabilities of approximately S\$27,000 exclusive of lease liabilities in relation to the addition of IFRS 16 of approximately S\$863,000 (31 December 2021: lease liabilities of approximately S\$54,000 exclusive of lease liabilities in relation to the addition of IFRS 16 of approximately S\$1,141,000) and bank borrowings of approximately S\$3,477,000 (31 December 2021: approximately S\$3,710,000).

The Group's current ratio was approximately 4.1 times (31 December 2021: approximately 4.8 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 25% (31 December 2021: approximately 21%).

The Group's total equity attributable to owners of the Group amounted to approximately S\$13,939,000 (31 December 2021: approximately S\$17,920,000). 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. 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 2022 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 2022 (2021: 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\$144,000 as at 30 June 2022 (as at 31 December 2021: approximately S\$161,000).

Capital Commitments

As at 30 June 2022, the Group did not have any capital commitments (2021: Nil).

Contingent Liabilities

As at 30 June 2022, the Group did not have any contingent liabilities (2021: Nil).

Employee Information

As at 30 June 2022, the Group had an aggregate of 125 (2021: 116) 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.

Total staff costs, including the Directors' emoluments, amounted to approximately S\$1,628,000 for the six months ended 30 June 2022 (2021: approximately S\$2,104,000).

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 2022 (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\$0.14 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\$14.56 million is expected to be utilised by 2022 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).

USE OF PROCEEDS (continued)

As at 30 June 2022, the net proceeds from the Listing have been utilised in the following manner:

	Use of proceeds as allocated in accordance with the Prospectus <small>(Note (1))</small>	Use of proceeds up to 31 December 2021	Use of proceeds for the six months ended 30 June 2022	Use of proceeds from the Listing up to 30 June 2022	Outstanding proceeds as at 30 June 2022
	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	0.1	0.2	0.3 ⁽³⁾	14.4 ⁽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 2022, 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 for the purchase of machineries for the Leased Property. The remaining amount of approximately HK\$14.4 million is expected to be utilised by 2022.

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

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

BUSINESS REVIEW

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\$3,643,000 and S\$13,953,000 for the six months ended 30 June 2022 and 2021, respectively.

The loss for the six months ended 30 June 2022 was approximately S\$3,943,000 (2021: approximately S\$2,100,000) representing an increase of approximately S\$1,843,000 as compared with the corresponding period of last year.

The loss for the period is mainly contributed by (1) the lower revenue, (2) new projects coming in at a slower pace, and the new projects start only in the 3rd quarter of 2022, (3) fluctuation of the price of steel due to changes in market supply and demand, which is driven by factors such as global economic conditions and the production capacities of steel mill, and (4) higher subcontractor costs due to shortage of foreign workers, the higher cost of recruiting migrant workers, owing to the continued risks posted by COVID-19.

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

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.

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.

BUSINESS REVIEW (continued)

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.

Prospect

Economic outlook for 2022

The economy will continue to grow, albeit unevenly, in 2022. The outlook for Singapore's external demand has "deteriorated slightly" as many economies tightened restrictions to combat the highly transmissible Omicron variant of the COVID-19.

Global supply bottlenecks remain and are expected to persist throughout the first half of 2022. This may constrain industrial production and growth in some external economies in the near term.

These persistent supply chain snarls, alongside rising energy prices due to geopolitical tensions, have also exacerbated global inflationary pressures.

A study by UK consultant Turner & Townsend notes that Singapore's Building and Construction Authority has predicted demand of up to US\$23 billion in 2022.

Construction demand for 2022 to return to near pre-Covid-19 level. However, the construction sector may be hampered by a long-term labour shortage, a factor that was only slightly mitigated by the government's worker retention scheme, in place between September 2021 and February 2022. This is partly caused by the high cost of recruiting migrant workers, owing to the continued risks posed by Covid-19.

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 2022, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (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 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, were as follows:

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

Name of Director	Nature of interest	Number of shares held	Number of underlying shares held	Approximate percentage of the issued share capital
Mr. Ong Cheng Yew	Interest of the controlled company ⁽¹⁾	331,790,000	66,358,000	82.95%
Ms. Koh Siew Khing ⁽²⁾	Interest of spouse	331,790,000	66,358,000	82.95%

Notes:

- (1) Broadbville Limited is wholly-owned by Mr. Ong Cheng Yew. Mr. Ong Cheng Yew is deemed to be interested in all the Shares held by Broadbville Limited under the SFO.
- (2) Ms. Koh Siew Khing is the spouse of Mr. Ong Cheng Yew and is deemed to be interested in all the Shares in which Mr. Ong Cheng Yew is interested in under the SFO.

Save as disclosed above, as at 30 June 2022, 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 2022, the register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 June 2022, 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
Broadbville Limited	Beneficial owner	331,790,000	66,358,000	82.95%

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 2022.

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 2022.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY THE DIRECTORS

During the six months ended 30 June 2022, 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 six months ended 30 June 2022.

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

INTERESTS OF THE COMPLIANCE ADVISER

As at 30 June 2022, 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 2022.

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 30 June 2022, 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 six months ended 30 June 2022 (2021: Nil).

SIGNIFICANT INVESTMENT HELD

The Group did not hold any significant investment for the six months ended 30 June 2022.

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 2022.

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 2022.

EVENTS AFTER THE FINANCIAL PERIOD

No significant events have taken place after the six months ended 30 June 2022 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. 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.

AUDIT COMMITTEE (continued)

The Audit Committee has reviewed the unaudited results for the six months ended 30 June 2022 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, 11 August 2022

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

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.