

GT STEEL Construction Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8402



2023
FIRST QUARTERLY REPORT

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

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

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

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ong Cheng Yew (*Chairman*)

Ms. Koh Siew Khing

(resigned on 4 May 2023)

Ms. Chen Xiaoyu

Non-executive Director

Ms. Lin Xiaoqin

Mr. Chan Kwun Wah Derek

(appointed on 4 May 2023)

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

(resigned on 4 May 2023)

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

(terminated with effect from
23 March 2023)

Unit 2602, 26/F, The Center

99 Queen's Road Central

Hong Kong

AUDITOR

Yongtuo Fuson CPA Limited

Public Interest Entity Auditor

registered in accordance with

Financial Reporting Council Ordinance

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)

19/F, Prosperity Tower

39 Queen's Road Central

Central

Hong Kong

FIRST QUARTERLY RESULTS

The board (the "Board") of the Directors is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 31 March 2023 together with unaudited comparative figures for the corresponding period in 2022, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2023

		Three months ended 31 March	
		2023	2022
	Note	S\$	S\$
		(Unaudited)	(Unaudited)
Revenue	3	3,602,204	3,074,519
Cost of services		(3,284,835)	(3,179,859)
Gross profit (loss)		317,369	(105,340)
Other income	4	92,324	99,555
Selling expenses		(54,349)	(34,867)
Administrative expenses		(1,054,075)	(844,338)
Other expenses		(33,606)	—
Finance costs	5	(29,437)	(52,986)
Loss before taxation		(761,774)	(937,976)
Income tax expense	6	—	—
Loss for the period	7	(761,774)	(937,976)
Other comprehensive expense			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Exchange differences on translation of foreign operation		(36,856)	(38,992)
Total comprehensive loss for the period		(798,630)	(976,968)
Basic loss per share (S\$ cents)	9	(0.16)	(0.20)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 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	—	—	—	(937,976)	—	(937,976)
Other comprehensive expense for the period	—	—	—	—	(38,992)	(38,992)
Total	—	—	—	(937,976)	(38,992)	(976,968)
At 31 March 2022 (unaudited)	827,586	8,613,061	2,999,983	4,502,777	—	16,943,407
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	—	—	—	(761,774)	—	(761,774)
Other comprehensive expense for the period	—	—	—	—	(36,856)	(36,856)
Total	—	—	—	(761,774)	(36,856)	(798,630)
At 31 March 2023 (unaudited)	827,586	8,613,061	2,999,983	(2,085,573)	—	10,355,057

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

1 GENERAL

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

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

The unaudited condensed consolidated financial information is presented in Singapore Dollars (“S\$”), which is also the presentation currency of the Company.

The unaudited condensed consolidated financial information was approved by the Board on 12 May 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 condensed 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 accounting policies are the same as the Group's accounting policies. The CODM reviews revenue by category, i.e. provision of services comprising design, supply, fabrication and erection of structural steelworks 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 31 March	
	2023	2022
	S\$	S\$
	(Unaudited)	(Unaudited)
Revenue from:		
Provision of structural steelworks services	3,602,204	3,074,519

Timing of recognition

Revenue based by timing of recognition are as follows:

	Three months ended 31 March	
	2023	2022
	S\$	S\$
	(Unaudited)	(Unaudited)
Over time	3,602,204	3,074,519

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 31 March	
	2023	2022
	S\$	S\$
	(Unaudited)	(Unaudited)
Customer I	1,580,235	N/A*
Customer II	N/A*	2,188,753

* 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 31 March	
	2023	2022
	S\$	S\$
	(Unaudited)	(Unaudited)
Singapore	3,602,204	3,074,519

4 OTHER INCOME

	Three months ended 31 March	
	2023	2022
	S\$	S\$
	(Unaudited)	(Unaudited)
Government grants	17,758	67,687
Insurance claim receipt	31,496	—
Rental income	43,070	31,868
	92,324	99,555

5 FINANCE COSTS

	Three months ended 31 March	
	2023	2022
	S\$	S\$
	(Unaudited)	(Unaudited)
Interest on:		
Bank borrowings:		
— wholly repayable within five years	14,435	36,829
— not wholly repayable within five years	207	678
Lease liabilities	14,795	15,479
	29,437	52,986

6 INCOME TAX EXPENSE

	Three months ended 31 March	
	2023	2022
	S\$	S\$
	(Unaudited)	(Unaudited)
Tax expense comprises:		
Current tax:		
— Singapore corporate income tax ("CIT")	—	—
— Under provision in prior years	—	—
	—	—

Singapore CIT is calculated at 17% (2022: 17%) of the estimated assessable profit for the period.

7 LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Three months ended 31 March	
	2023	2022
	S\$	S\$
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment:		
— Recognised in cost of services	45,674	45,801
— Recognised in administrative expenses	181,099	179,594
Depreciation of right-of-use assets:		
— Recognised in cost of services	84,092	82,336
— Recognised in administrative expenses	54,581	60,438
Depreciation of investment properties	13,316	13,316
Directors' emoluments	141,438	141,695
Other staff costs:		
— Salaries and wages	834,385	674,762
— Defined contribution plans	15,425	14,799
— Other staff benefits	16,617	19,441
	<hr/>	
Total staff costs (inclusive of directors' emoluments)	1,007,865	850,697
	<hr/>	
Cost of materials recognised as expenses	939,281	1,360,415
Subcontractor costs recognised as expenses	1,274,515	930,823
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8 DIVIDEND

The Directors do not recommend the payment of dividend for the three months ended 31 March 2023 (2022: Nil).

9 LOSS PER SHARE

	Three months ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
Loss attributable to the owners of the Company (S\$)	(761,774)	(937,976)
Weighted average number of ordinary shares in issue	480,000,000	480,000,000
Basic loss per share (S\$ cents)	(0.16)	(0.20)

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.

10 RELATED PARTY TRANSACTION

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

	Three months ended 31 March	
	2023	2022
	S\$	S\$
	(Unaudited)	(Unaudited)
Short term benefits	120,000	120,000
Post-employment benefits	6,120	6,120
	126,120	126,120

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

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

FINANCIAL REVIEW

Revenue and Results

For the three months ended 31 March 2023, the Group recorded revenue of approximately S\$3,602,000 (2022: approximately S\$3,075,000).

The revenue increased by approximately S\$527,000 from approximately S\$3,075,000 for the three months ended 31 March 2022 to approximately S\$3,602,000 for the three months ended 31 March 2023, representing an increase of approximately 17.1%. The increase in revenue is mainly contributed by new projects coming in after COVID-19 pandemic.

Turning gross loss to gross profit from approximately negative S\$105,000 for the three months ended 31 March 2022 to approximately S\$317,000 for the three months ended 31 March 2023. The gross profit was contributed by new projects coming in after COVID-19 pandemic.

Selling and administrative expenses for the three months ended 31 March 2023 was approximately S\$1,108,000 (2022: approximately S\$879,000), representing an increase of approximately S\$229,000, which was mainly due to the increase in the wages and salaries due to the employment of the foreign workers.

Loss for the three months ended 31 March 2023 was approximately S\$762,000, representing a decrease of approximately S\$176,000 as compared with the corresponding period of last year which recorded a loss of approximately S\$938,000.

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

Reserves

Movement in the reserves of the Group for the three months ended 31 March 2023 are set out above in the unaudited condensed consolidated statement of changes in equity.

Contingent Liabilities

As at 31 March 2023, the Group did not have any contingent liabilities.

Capital Commitments

As at 31 March 2023, the Group did not have any capital commitments.

Employee Information

As at 31 March 2023, the Group had an aggregate of 131 (2022: 116) employees.

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

Total staff costs, including Directors' emoluments, amounted to approximately S\$1,008,000 and S\$851,000 for the three months ended 31 March 2023 and 2022 respectively.

BUSINESS REVIEW

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

Revenue comprised of revenue from the provision of construction services, installation and auxiliary services provided by the Group to external customers, which amounted to approximately S\$3,602,000 and S\$3,075,000 for the three months ended 31 March 2023 and 2022 respectively. The revenue for the three months ended 31 March 2023 has increased by approximately S\$527,000 or 17.1% as compared to the three months ended 31 March 2022.

During the three months ended 31 March 2023 and 2022, the Group recorded a net loss of approximately S\$762,000 and a net loss of approximately S\$938,000 respectively. The decrease in net loss for the three months ended 31 March 2023 was 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 steelwork industry in Singapore through the expansion of its projection capacity and workforce.

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

Those large-scale projects will increase demand in design and consultancy skills from the steel fabricators, which will in turn enhance their skills and productivity making them more valuable for future projects. As such, the management of the Company is actively seeking projects from other customers for diversification of customer concentration risks, and expanding existing capacity to cater to higher demands.

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 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 31 March 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 (a) 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 (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

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

As at 31 March 2023, the register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 March 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	331,790,000	66,358,000	82.95%
Mr. Zhang Zhang	Interest of the controlled corporation ⁽²⁾	331,790,000	66,358,000	82.95%

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)

- (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 31 March 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

During the three months ended 31 March 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY THE DIRECTORS

During the three months ended 31 March 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 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 and Corporate Governance Report (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 three months ended 31 March 2023.

INTEREST OF THE COMPLIANCE ADVISER

With effect from 23 March 2023, the Company and Vinco Financial Limited (“Vinco”) have mutually agreed to terminate the compliance adviser agreement entered into between the Company and Vinco dated 26 June 2017 (the “Compliance Adviser Agreement”). Since the date of listing of the Company on GEM on 17 November 2017, the Company had appointed compliance adviser throughout the two full financial years commencing on the date of its initial listing (being the financial years ended 31 December 2018 and 2019).

As notified by Vinco as at 23 March 2023, save for the Compliance Adviser Agreement, neither Vinco, its directors, employees and associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the “Scheme”) on 2 November 2017. The purpose of the Scheme is to advance the interests of the Company and the shareholders by enabling the Company to grant options to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group and by enabling such persons’ contribution to further advance the interests of the Group. The principal terms of the Scheme are summarized in the section headed “Share Option Scheme” in Appendix V to the prospectus of the Company dated 30 October 2017.

As at 31 March 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.

2023 WARRANTS

Pursuant to the Company's announcement dated 28 June 2021 and the circular of the Company dated 26 July 2021, the Company proposed (the "Proposal") an issue of bonus warrants to the shareholders of the Company on the basis of one warrant (the "2023 Warrants") for every five existing shares.

Each 2023 Warrants will entitle the holder thereof to subscribe in cash for one new share of the Company at an initial subscription price of HK\$4.00, subject to adjustments, upon exercise of the 2023 Warrants at any time during the period from 24 August 2021 to 23 August 2023 (both day inclusive). Upon the Proposal, 96,000,000 2023 Warrants were issued, upon the full exercise of the subscription rights attaching to the 2023 Warrants, a maximum of 96,000,000 new shares (subject to adjustments) will be issued, representing 20% of the issued share capital of the Company approximately 16.67% of the issued share capital of the Company as enlarged by the new shares to be issued upon the exercise of all 2023 Warrants. Based on the initial subscription price of HK\$4.00 per new share, the Company would receive the subscription monies total up to approximately HK\$384 million (equivalent to approximately S\$66.6 million).

Assuming the subscription rights attaching to the 2023 Warrants are fully exercised, the Company currently intends to apply any subscription monies in the following order:

- i. approximately HK\$38 million, representing 10% of the subscription monies, will be used for general working capital of the Group;
- ii. approximately HK\$77 million, representing 20% of the subscription monies, will be used for the Group's expansion of construction business in the PRC over the next four years, including (a) establishing a WFOE in the PRC; (b) expanding its market shares in the construction industry through direct investment or acquisitions in the PRC; and (c) expanding its workforce in the PRC; and
- iii. approximately HK\$269 million, representing 70% of the subscription monies, will be used for the Group's new business development of the yak dairy products over the next four years, including (a) developing the distributorship business in the PRC, Hong Kong and South-East Asia; (b) expanding its market shares in the dairy product industry through direct investments or acquisitions in the PRC, Hong Kong and South-East Asia; (c) expanding its sales workforce of the dairy products business in the PRC, Hong Kong and South-East Asia; (d) marketing and promoting the brand of 西藏高原之寶犛牛乳業股份有限公司 (Tibet Plateau Treasures Yak Dairy Industry Co., Ltd.)* (the "Tibet Plateau") and its yak dairy products in the PRC, Hong Kong and South-East Asia; and (e) developing the logistics channel for distribution of the Tibet Plateau's dairy products from the supplier in Tibet to the customers' stores in various countries.

* for identification purpose only

2023 WARRANTS (continued)

The issue of the 2023 Warrants would enable the Company to improve its capital structure and represent an opportunity to raise capital for the Group's long term growth, which will enhance its financial position without increasing finance costs while broadening its capital base.

The 2023 Warrants were issued pursuant to the general mandate to issue share granted to the directors of the Company's annual general meeting held on 22 June 2021. The initial subscription price of the 2023 Warrants was determined with reference to the recent market price of the share of the Company on 25 June 2021 and other factors and details of which are set out in the Company's announcement dated 28 June 2021.

The new share to be issued upon exercise of the subscription rights attaching to the 2023 Warrants will rank *pari passu* in all respects with the then existing shares in issue of the Company.

As announced by the Company on 23 August 2021, the Company has obtained from the Stock Exchange the approval for the listing of and permission to deal in, the 2023 Warrants to be issued and any Shares which may fall to be issued upon exercise of the subscription rights attaching to the 2023 Warrants.

Further details of the above are set out in the Company's announcements dated 28 June 2021 and 25 August 2021 and the Company's circular dated 23 August 2021.

No shares were issued regarding the 2023 Warrants during the three months ended 31 March 2023 (2022: Nil).

DIVIDEND

The Directors do not recommend the payment of dividend for the three months ended 31 March 2023 (2022: Nil).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group has no significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures during the three months ended 31 March 2023.

EVENTS AFTER THE REPORTING PERIOD

No significant events have taken place after the financial period ended 31 March 2023 to the date of the report.

PUBLIC FLOAT

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited results for the three months ended 31 March 2023 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, 12 May 2023

As at the date of this report, the Board comprises two executive Directors, namely, Mr. Ong Cheng Yew (Chairman) and Ms. Chen Xiaoyu, two non-executive Directors, namely, Ms. Lin Xiaoqin and Mr. Chan Kwun Wah Derek, 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.