



GREEN BUILD TECHNOLOGY

GREEN BUILD TECHNOLOGY LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 200401338W)

RESPONSE ANNOUNCEMENT TO SGX-ST QUERIES

The Board of Directors (the “**Board**”) of Green Build Technology Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) would like to clarify the queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 21 April 2021 with reference to the Company’s financial statements for the year ended 31 December 2020 (the “**FY2020 Financial Statements**”) and the Company’s announcement of 9 April 2021 titled “Response announcement to SGX-ST queries” (the “**Announcement**”). The queries from the SGX-ST and the Company’s responses are as follows:

SGX Query:

- (a) It is stated in the Announcement that, “As disclosed in the section titled “**Significant Accounting Policies**” in the Group’s Annual Reports between FY2016 to FY2019, the Group applied SFRS(I)INT12 in accounting for its service concession arrangements for phase one of the underground utility tunnel and insulation project. Financial assets, such as service concession receivables arising from the service concession arrangements from completed projects, which were initially measured at amortised costs, are subsequently measured using the effective interest rate (“**EIR**”) method. Interest income arose, as a result of the unwinding of discounts from the service concession receivables using the EIR method, is recorded as service concession receivables.”

Please provide an illustrative example and the double entries relating to the above disclosure.

Company’s Response:

The Board is of the view that if the Company was to provide specific information pertaining to the Company, the Company would then disclose costs of a project that is highly confidential in nature, and which would prejudice the Company when bidding for tenders in the future. Accordingly, the Company will not be disclosing specific information and instead set out below, an example for purely illustrative purposes.

Illustration:

Company A enters into a contract to provide construction services, under the service concession arrangement, costing \$1000. The total cash inflows over the entire life of the contract are fixed by the grantor at \$2000. The fair value of total cash inflow under the construction services provided is \$1100. The finance income to be recognised that is calculated by using the effective interest rate method (per SFRS(I) 1-39) is \$100 over the entire life of the service concession arrangement, and the balance of \$800 (\$2000 - \$1100 - \$100) relates to services provided during the operational phase. The related journal entries are as follows:

- (a) During construction phase (assume construction begins and ends in the same financial year):

Entry 1:

Dr Financial asset \$1100

Cr Construction revenue \$1100

(To recognise revenue relating to construction services based on percentage of completion method on the fair value of the total cash inflow)

Entry 2:

Dr Cost of construction \$1000

Cr Cash \$1000

(To recognise costs of construction incurred during construction based on percentage of completion method)

- (b) After construction phase:

Entry 3:

Dr Financial asset \$100

Cr Finance Revenue \$100

(To recognise interest income under the financial asset model.)

Entry 4:

Dr Financial asset \$800

Cr Revenue \$800

(To recognise revenues such as maintenance income relating to the operational phase)

Entry 5:

Dr Cash \$2000

Cr Financial asset \$2000

(To recognise cash received from the grantor)

Total revenue over the life of the contract: \$2000

Total cash inflows over the life of the contract: \$2000

- (b) **It is stated in the Announcement that, “While the Company does not currently have a Chief Financial Officer, the Group’s Finance Department which is based in the Group’s place of operation, is headed by a finance manager, Ms Zhang Xiaohui.”**

Please disclose (i) the background of Ms Zhang Xiaohui; and (ii) the Audit committee’s assessment and the bases for such assessment of whether that Ms Zhang Xiaohui has the competence to oversee the relevant accounting and related financial management of the Group.

Company’s Response:

Ms Zhang Xiaohui is the Deputy General Manager of our Green Technology Division in charge of accounting and finance. Ms Zhang graduated from Heilongjiang Provincial Education College with a major in accounting and computerization. She has 10 years’ experience in the financial and accounting sector.

Ms Zhang joined the Company’s subsidiary, Harbin Shengming Energy Saving and Technology Co., Ltd, where she was promoted to Section Chief of the finance department in October 2016 within the Group. In 2018, she was promoted to Deputy General Manager of Accounting and Finance Department where, in her role as the

finance manager of the Group, she oversees the daily accounting and financial matters of the Group. Ms Zhang has been with the Group for 5 years.

Given her academic records, work experience and her familiarity with the Group's operations and finances, the Audit committee believes that Ms Zhang has the competence to oversee the relevant accounting and related financial management of the Group.

By Order of the Board

Wu Xueying

Chief Executive Officer and Executive Director

23 April 2021