



SOILBUILD CONSTRUCTION GROUP LTD.

(Company Registration No. 201301440Z)
(Incorporated in the Republic of Singapore)

**CLARIFICATION ON THE COMPANY'S FULL YEAR RESULTS ANNOUNCEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

Soilbuild Construction Group Ltd. (the "Company") had on 6 March 2022 received the following queries from the Singapore Exchange Securities Trading Limited (the "SGX-ST") on the Company's full year results announcement for the financial year ended 31 December 2022:

Question 1:

Please disclose:

- a. The breakdown of the Group's trade and other receivables, including the nature of the other receivables.
- b. For other receivables, the underlying transactions, the terms of the transactions (including the contract sum), terms of payment, and whether this was incurred in the ordinary course of business
- c. The ageing profile of the Group's trade and other receivables in bands of 3 months;
- d. Whether these outstanding amounts are owing to related parties. If yes, to provide details and quantify;
- e. The Board's assessment of the recoverability of the trade and other receivables amounting to \$85 million and the basis for their assessment.

Response to Question 1:

a. The breakdown of the Group's trade and other receivables is as follows:

	2022 \$'000
<u>Current</u>	
Trade receivables	
- Related parties#	3,223
- Non-related parties	13,649
	16,872
Less: Allowance for impairment of receivables	
- Non-related parties	(260)
Trade receivables – net	16,612
Contract assets	
- Due from customers	22,645
- Due from related parties#	26,494
	49,139
Less: Allowance for impairment of receivables	
- Non-related parties	(755)
Contract assets - net	48,384
Retentions	
- Related parties#	14,124
- Non-related parties	5,601
	19,725
Less: Allowance for impairment of receivables	
- Non-related parties	(869)
Retentions - net	18,856
Amounts due from related parties# (non-trade)	41
Other receivables	899
	84,792
<u>Non-current</u>	
Retentions	
- Related parties#	10,394
- Non-related parties	5,110
	15,504
Total trade and other receivables	100,296

Related parties pertain to companies which are wholly-owned or jointly-owned by a director of the Company.

The nature of the other receivables is explained in point 1b below.

- b. Other receivables comprise mainly Goods and Services Tax (“GST”) receivables amounting to approximately S\$0.4 million, receivables from sales of scrap metal amounting to approximately S\$0.3 million in which the majority of the receivables has been collected subsequent to year-end, and other miscellaneous items which are individually immaterial and amounting to approximately S\$0.2 million in aggregate. The other receivables are incurred in the ordinary course of business.
- c. The ageing profile of the Group’s current trade receivables and other receivables are as follows:

In S\$'000:

	Current	Past Due					Total
		Within 0 to 3 months	4 to 6 months	6 to 9 months	9 to 12 months	More than 12 months	
Trade and other receivables	79,225	2,426	148	248	401	2,344	84,792

- d. Please see the breakdown of the receivables by related parties and non-related parties under point 1a above.
- e. In the assessment of the recoverability of the trade and other receivables amounting to \$85 million, the Board has considered historical loss rates for each category of customers, the ability of the customers to settle the receivables, historical payment trends of customers, and time value of money. Based on the above, the Board has concluded that there are no recoverability issues for its trade and other receivables, with the exception of certain trade and other receivables whereby there is expected credit losses, and allowances amounting to approximately S\$1.9 million have been recognised accordingly based on the expected amount and timing of settlement.

Question 2:

We note that the Company reported a negative working position of \$49 million. Please disclose:

- a. Breakdown of current trade and other payables amounting to S\$116 million as at 31 December 2022. For other payables, please disclose the aging and nature of these other payables;
- b. The Company had disclosed that the Group expected to be able to pay off debt when they fall due and operate as a going concern due to, inter alia, net proceeds of \$10.1 million from the preferential offering for working capital purposes. However, we note the disclosure on page 29 that it had already been utilised for working capital. Please disclose whether and how the Company intends to repay their short-term obligations of \$155 million as and when they fall due, including specific details on the expected positive cash flows from the Group's order books in the next twelve months and the potential advance payments to be received;
- c. Please provide a breakdown of the financial quarters the material payment obligations will fall due within FY2023.

Response to Question 2:

- a. The breakdown of the Group's current trade and other payables is as follows:

	2022
	S\$'000
<u>Current</u>	
Trade payables:	
- Non-related parties	23,801
Retention:	
- Non-related parties	14,990
Contract liabilities	
- Due to customers	3,081
- Due to related parties [#]	39,844
	42,925
Rental deposits	428
Interest payable	141
Accrued operating expenses	4,993
Accrued construction costs	26,809
Other payables	1,526
Amounts due to related parties [#] (non-trade)	307
	115,920

[#] Related parties pertain to a director and companies which are wholly-owned or jointly-owned by a director of the Company.

Other payables comprise mainly GST payables amounting to approximately S\$0.9 million and overseas commercial tax payables amounting to approximately S\$0.4 million, both of which are not yet due, and other miscellaneous items which are individually immaterial and amounting to approximately S\$0.2 million in aggregate.

- b. The Group intends to repay its short-term obligations amounting to approximately S\$155.0 million as and when they fall due from the following:
- (i) Proceeds from current assets amounting to approximately S\$105.9 million;
 - (ii) Unutilised bank facilities amounting to approximately S\$26.3 million;
 - (iii) Net proceeds of approximately S\$10.1 million from the preferential offering which has since been utilised in January 2023 to pay off part of the short-term obligations;
 - (iv) Advance payment by a related party for a construction project amounting to approximately S\$10.0 million;
 - (v) Early release of retention sums by related parties upon completion of certain ongoing construction projects amounting to approximately S\$4.1 million;

In addition, the Group has secured order books of S\$461.5 million as at 31 December 2022. Majority of these order books has incorporated project pricing which has taken into account the rise in construction material and labour costs and prolonged procurement lead times caused by the Covid-19 pandemic and geopolitical tensions. The Group has also substantially completed projects secured prior to the Covid-19 pandemic. Accordingly, these secured orders books are expected to generate positive cashflows to repay the Company's short-term obligations as and when they fall due on top of the sources of funding as indicated above.

Building on its momentum, the Group is also actively tendering for more high value, high tech facilities for clients in the semiconductor, precision engineering, food tech and logistics industries to secure new contract wins in 2023.

Based on the above, the Board is of the view that the Group will be able to repay their short-term obligations as and when they fall due for the next 12 months.

- c. The material payment obligations that will fall due in the respective financial quarters for FY2023 are as follows:

In S\$'000:

Description	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Trade and other payables	25,775	-	-	-	25,775
Borrowings	2,426	2,876	2,722	2,773	10,797
Total	28,201	2,876	2,722	2,773	36,572

The remaining current liabilities relates to:

- (i) Contract liabilities, retention receivables, accrued construction costs and operating expenses and rental deposits amounting to approximately S\$90.1 million in aggregate which are not yet due as at 31 December 2022 and will fall due in the respective quarters of FY2023 depending on the progress of the contracts and the billing dates by the respective creditors;
- (ii) Banking facilities amounting to S\$24.7 million which are revolving in nature and there is no fixed repayment date;
- (iii) Provision for other liabilities amounting to approximately S\$3.5 million; and
- (iv) Current income tax liabilities amounting to approximately S\$0.1 million.

As explained in point 2b above, the Board is of the view that the Company will be able to repay their short-term obligations as and when they fall due within the next 12 months.

Question 3:

We refer to the related party transactions at page 17 of the Company's financial results and the table of interested person transactions ("IPT") conducted under the Company's IPT general mandate at page 29 of the financial results.

- a. Please confirm which of the related party transactions listed on page 17 are IPTs conducted under the Company's IPT general mandate and which are approved via separate shareholder approval.
- b. With respect to those related party transactions conducted under the IPT general mandate, please reconcile the figures at page 17 with the table of IPTs in 2H2022 presented at page 29 of the financial results and aggregated with the similar table reported in its 1H2022 financial results.

Response to Question 3:

Please see details as per below:

Description	2022 S\$'000	Conducted under the Company's IPT general mandate	Reconciliation to table of IPTs in 2H2022 and 1H2022
Revenue from construction contracts from related parties	160,289	Yes	The IPT table disclosed the interested party contract sum awarded during the period. However, the related party transaction note disclosed the revenue from related party contracts recognised during the period. Please see Note A for the revised IPT tables which has added in the disclosure for revenue recognised from construction contracts for completeness. Note: The contract sum awarded in relation to the revenue from related party contracts recognised has already been disclosed in the IPT table in the current and prior periods announcements.
Rental income charged to related parties	332	Yes	Please see reconciliation in Note B below.
Renovation/ reinstatement services received/receivables from related parties	55	Yes	Not disclosed in table of IPTs as transaction amounts are individually below threshold of S\$100,000.
Other service income received/receivable from related parties	23	Yes	
Share of common overheads paid/ payable to related parties	347	Yes	
Share of common overheads received/ receivable from related parties	82	Yes	

Note A:

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	\$'000	\$'000
<u>Transactions during 2HFY2022</u>		
<u>Soilbuild Group Holdings Ltd. & its subsidiaries</u>		
Office rental	-	122
Revenue from construction contracts	-	52,659
<u>Soilbuild Business Space REIT</u>		
Revenue from construction contracts	-	11,290
<u>Lim Chap Huat</u>		
Award of contract for renovation works	-	800
Revenue from construction contracts	-	264
<u>Dolphin Alpha Investments Pte Ltd and its subsidiary</u>		
Award of contract for renovation works	-	350
<u>Transactions during 1HFY2022</u>		
<u>Soilbuild Group Holdings Ltd. & its subsidiaries</u>		
Office rental	-	122
Revenue from construction contracts	-	67,877
<u>Soilbuild Business Space REIT</u>		
Revenue from construction contracts	-	28,199

Note B:

The difference is due to rental income of transaction amount less than S\$100,000 which is not being disclosed in the table for the IPT as detailed below:

Description	Rental income charged to related parties (S\$'000)
<u>Amount more than \$100,000</u>	
Table in 1HFY2022	122
Table in 2HFY2022	122
Sub-total	244
Amount less than S\$100,000 which is not disclosed	88
Total	332

Question 4:

We note that the Company has disclosed at page 29 of its financial results that the net proceeds from its preferential offering on 18 January 2023 amounting to S\$10.1 million has been utilised for general working capital purposes. Please disclose a breakdown with specific details on how and when the proceeds have been applied.

Response to Question 4:

The proceeds have been utilised for working capital purposes in January 2023 and the breakdown on how the proceeds have been applied are as follows:

Description	S\$'000
Payment to sub-contractors	3,343
Payment to suppliers	1,347
Staff payroll	904
Repayment of borrowings	4,506
Total	10,100

**BY ORDER OF THE BOARD
SOILBUILD CONSTRUCTION GROUP LTD.**

Lim Han Ren
Executive Director

8 March 2023
Singapore