



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 11 May 2020 with reference to the Company’s announcement of 29 April 2020 (the “**Announcement**”) with regard to the Company’s unaudited financial statements for the year ended 31 December 2019 (“**FY2019**”). The queries from the SGX-ST and the Company’s responses are as follows:

SGX Query 1

With reference to the unaudited financial statements for the year ended 31 December 2019, it is disclosed that the Company has impairment losses on financial assets of RMB16,798,000. Please disclose:

- i) The Company’s plans and efforts to date to recover the service concession receivables;*
- ii) How long are the debts outstanding and when were the sales reported;*
- iii) What were the actions taken to recover the service concession receivables;*
- iv) The reasons for the impairment on financial assets;*
- v) The Board’s opinion on the reasonableness of the methodologies used to determine the value of the impairment of the receivables; and*
- vi) The Board’s assessment of the recoverability of the remaining service concession receivables.*

Company’s Response:

Breakdown of impairment losses on financial assets:

	<u>RMB’million</u>
Impairment losses on service concession receivables	17.5
Reversal of impairment losses on trade receivables	(0.7)
Impairment losses on financial assets for FY2019	<u>16.8</u>

For (i):

The impairment loss of RMB 17.5 million was provided on service concession receivables on the basis that the collections of certain receivables from the residents of the insulation project may be doubtful.

The Group has been following up closely on the collection of these receivables with the various municipal government departments governing the respective estates where the insulation project was conducted. The municipal government departments governing these estates were to collect these receivables on the Group's behalf. The Group has been monitoring such receivables closely with the municipal government departments since the completion of the insulation project in 2016. By 2018, a total of approximately RMB 3.6 million was collected. However, given there have been no subsequent collections, after consideration, the Company was of the view that it would be prudent to record impairment loss on these receivables.

For (ii):

The receivables from residents have been outstanding since the completion of the insulation project in 2016. Revenue relating to the outstanding debts was recognised during the construction period between 2015 to 2016 by reference to the stage of completion of the contract activity assessed on the basis of the contract costs incurred up to the end of the reporting period as a percentage of the estimated total contract costs for each project.

For (iii):

The Group has and continues to actively engage the municipal government departments on the collection of the receivables from the residents of the insulation project as mentioned above. Between April 2020 and early May 2020, the Group met with the municipal government on several occasions amidst the COVID-19 restrictions for discussions on the collections of these receivables. The municipal government has informed the Group that it will follow up closely with the residents on related collections.

For (iv):

As set out in (i) and (iii) above, the impairment on financial assets was provided on the basis that it may be doubtful as to whether the collections of certain receivables from the residents of the insulation project were likely to happen.

For (v):

The Board believes that the basis used to determine the value of the impairment of the receivables are reasonable in view of the nature of the Group's business, customers and projects.

For (vi):

Other than the receivables from the residents of the insulation project, the remaining outstanding service concession receivable of RMB 171.5 million relate to government subsidies. Barring any unforeseen circumstances, the Board believes that the remaining service concession receivables from the government will be recoverable. While the government subsidies have been received at a slower rate than anticipated, the Group has still been continually and consistently receiving the same from the municipal government. The last received government subsidies to the Group was in 2019, and to date since the completion of the insulation project in 2016, the Group has received government subsidies totaling RMB 110.7 million from the insulation project. The Group is to receive government subsidies for a concession period of ten years upon the completion and acceptance of the insulation project.

SGX Query 2

It is disclosed on page 11 of the unaudited financial statements that, the net decrease in service concession receivables (current and non-current portion) in FY2019 by RMB 10.7 million was mainly due to collections of service concession from the government and the impairment loss (non-cash nature) provided on the carrying amount of the service concession receivables.

Please disclose how this reconciles to the impairment loss due to non-recoverability of collections of certain receivables from the residents of the project.

Company's Response:

Service concession receivables (current and non-current)	RMB'million
Balance as at 1 Jan 2019	182.2
Add:	
- Maintenance revenue from insulation project (please refer to paragraph 15 of the unaudited financial results for FY2019)	1.4
- Finance income (refer to paragraph 15 of the unaudited financial results for FY2019)	9.4
Less:	
- Impairment losses on financial assets (refer to last paragraph of page 9 of the unaudited financial results for FY2019)	(17.5)
- Subsidies received from the government	(4.0)
Balance as at 31 Dec 2019	<u>171.5</u>

SGX Query 3

It is disclosed on page 11 of the unaudited financial statements that, contract assets of RMB 700.9 million was classified as non-current, as such amounts will be received from the government after 12 months from 31 December 2019. Please disclose the salient terms of collections from the government.

Company's Response:

After the acceptance and cost finalisation of phase one of the underground utility tunnel by the municipal finance department of Harbin City (the "Harbin Municipal Government"), Heilongjiang Province, China, the amount of government subsidies, determined according to the formula stipulated in the insulation project agreement (where such formula is to remain confidential), shall be approved and disbursed by the Harbin Municipal Government on a quarterly basis over a concession period of 25 years.

SGX Query 4

Please disclose the factors which led to a lower fair value loss adjustment of RMB 2.6 million to the carrying amount of the contract assets from phase one of the underground utility tunnel project in FY2019.

Company's Response:

The fair value loss adjustments to the contract assets arose from its remeasurements based on the present value of the estimated future cashflows from the subsidies for the underground utility tunnel projects. Significant judgements and estimates are involved in estimating the present value of service concession receivables, which require estimations of, among others, timing of receipts (expected future cash flows), amount of receipts and appropriate discount rates. Any change in these estimation parameters will have a significant impact on the carrying amount of contract assets, and the difference would be accounted for as loss or gain on change in estimate of the fair value of the consideration under service concession arrangements, as the case may be.

The lower fair value loss adjustments to contract assets for FY2019 as compared to that of the financial year ended 31 December 2018 is mainly attributable to changes in the timing estimations of some cash

flow streams in the light of the availability of more updated and accurate information on the timing of certain receipts from the underground utility tunnel project in FY2019.

SGX Query 5

It is disclosed on page 11 of the unaudited financial statements that, certain related parties (entities in which the executive chairman has substantial financial interests) have agreed to unconditionally provide continuous financial assistance to the Group to enable it to meet its obligations and to carry on its business for a period of not less than fifteen months from 24 April 2020. Please disclose how the Audit Committee has satisfied itself on the abilities of these related parties to provide continuous financial assistance.

Company's Response:

In satisfying itself on the ability by the related parties to provide financial assistance to the Group, the committee has reviewed the financial statements of these parties and taken into account the financial strengths of these entities which includes their cash flow and financial position to be able to take comfort in their financial support.

By Order of the Board

Wu Xueying

Chief Executive Officer and Executive Director

13 May 2020