



GREEN BUILD TECHNOLOGY

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

RESPONSES TO QUERIES FROM SIAS

The Board of Directors (the “**Board**”) of Green Build Technology Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to thank the Securities Investors Association (Singapore) (“**SIAS**”) for submitting its questions in advance of the Annual General Meeting (“**AGM**”) to be held by electronic means on 30 April 2021 at 10.00 a.m.

The following are the responses to the questions being raised.

1. **As shown in the operating and financial review, revenue for FY2020 dropped by 95.5% to RMB7.5 million as the group was limited to the provision of consultation services in relation to the refurbishment of old estates, maintenance services and trading of construction materials due to COVID-19.**

Other income of RMB10.2 million was mainly due to the reversal of construction costs of RMB 8.2 million for an insulation project that was completed in 2016 as the group has been actively negotiating for reductions in material costs since the completion of the insulation project in FY2016.

For FY2020, net profit for the year attributable to owners of the company amounted to RMB2.6 million.

- (i) **What is the sentiment on the ground in Harbin? How badly affected was Harbin especially during the early days of the pandemic? How strong is the recovery in Harbin?**
- (ii) **Can management also help shareholders understand the state of the local economy and the fiscal condition of the Harbin local government?**

In the operating and financial review (page 26), the Company has stated that phase 2 has commenced but the work appears to have stopped due to financing issues of the local government. It was disclosed that financing from banks for this project has been affected by the borrowing ratios of the local government which has exceeded the nationwide benchmark in the PRC.

As a result, the company has disclosed that the local government is in discussions with the group to acquire this project from the group.

- (iii) **Can management elaborate further on this new development? How much has the group invested in Phase 2? How will the group be safeguarding**

its interests? From page 21, it would appear that the group has contract assets of RMB 49 million related to Phase 2.

Company's Response:

Based on information from People's Daily Online (Heilongjiang), the quarterly rate of GDP growth/ (decline) of Harbin city for 2020 is as follows:

2020	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Whole year
Rate of growth/ (decline) in GDP	(9.7%)	(5.1%)	4.3%	7.9%	0.6%

During the early days of the COVID-19 pandemic, Harbin was placed under strict lockdown and movement controls. Accordingly, business activities were badly hurt in the first half of 2020. The GDP of Harbin declined by 9.7% and 5.1% in the first and second quarters of 2020, respectively.

Following China's successful control of COVID-19, the business activities in Harbin began to rebound. In the second half of 2020, the Harbin government invested RMB96.8 billion in key projects, which has partly contributed to the growth in GDP of the Harbin economy by 4.3% and 7.9% in the third and fourth quarters of 2020, respectively. The GDP of Harbin grew by 0.6% in 2020.

The business sentiment in Harbin in the first quarter of 2021 has improved as compared to that in 2020. However, it remained cautious due to the spike in new COVID-19 cases in late January and early February of the year.

Based on the draft Harbin city's 2020 budget report, the city's general public budget revenue was RMB 33.96 billion, a year-on-year decrease of 8.4%. After adding the subsidy income (各级补助收入), special transfer payments, the use of the carryover funds from the previous year (上年结转资金), transfer of funds, general bond income, and the transfer of the budget stability adjustment fund (预算稳定调整基金的转移), the total income was RMB 148.14 billion. The Harbin city's general public budget expenditures were RMB116.2.21 billion, an increase of 5.5% year-on-year. Including the expenditures of the superiors (上级支出), general bond repayment expenditures, supplementary budget stabilization funds (预算稳定补充资金), and carry-over expenditures for the next year, the total expenditure was RMB1481.4 100 million yuan. The Harbin government achieved a break even in 2020. The report also noted that the Heilongjiang provincial government confirmed the on-lending to Harbin city's new increased local government bond quotas by RMB 35.32 billion. In addition, in response to the impact of COVID-19 on the economic and social development, the Heilongjiang provincial government allocated Harbin city an anti-epidemic special funds (抗疫专项资金) of RMB 5.61 billion from other national bonds that were included in the budget management of government funds according to regulations. Among them, the Harbin city level (哈尔滨市) received RMB 2.51 billion while the district and county level (区县) received 3.1 billion.

In relation to phase two of the underground utility tunnel, the local government is still in discussions with the Group to acquire this project from the Group. The Group has to date, invested RMB 49 million in Phase 2 of the underground utility tunnel project. As disclosed in the Group's previous announcements, management has been following up closely with the local government on their acquisition of the project from the Group. Barring any unforeseen circumstances, it is expected that the Company will be reimbursed for all costs incurred to date by the government, and no penalties will be incurred. The Company will provide an update via SGXNET upon the finalisation of the terms of acquisition.

2. **The group has successfully completed phase one of the underground utility tunnel project. Receivables from the PRC government for phase one of the underground utility tunnel project of RMB 693.3 million has been reclassified from contract assets to service concession receivables. The impact on the group's financial position is shown below.**

2. Consolidated Statement of Financial Position

	Group	
	31 Dec 2020 RMB'000	31 Dec 2019 RMB'000
Total assets	984,440	984,929
Contract assets	49,077	742,463
Service concession trade receivables	884,681	171,578
Trade and other receivables	31,755	51,329
Cash and bank balances	801	765
Other assets	18,126	18,794
Total liabilities	923,350	926,483
Trade and other payables	301,302	315,040
Loans and borrowings	599,489	589,927
Other liabilities	22,559	21,516
Total shareholders' equity	59,171	56,527

(Source: company annual report; emphasis added)

- (i) **What is the group's involvement, if any, in the cost finalisation process by the PRC government?**
- (ii) **How significant is the cost finalisation process? That is, how much uncertainty is there to the final figure recognised by the government?**

As disclosed in Note 14 (page 90 - Service concession receivables and contract assets), the group recorded revenue and profit/(loss) after tax of RMB1,398,000 and RMB9,893,000 respectively from the service concession arrangements in FY2020.

- (iii) **Can management help shareholders understand the revenue and cash flow to be expected in FY2021, FY2022 and FY2023 based on the current service concession trade receivables (prior to any adjustments due to the cost finalisation)?**

Company's Response:

The Group organised and submitted 4 sets of completion accounts, 141 volumes of completed construction drawings, 528 volumes of internal business documents, 1 volume of confirmation forms, and 38 volumes of other materials. The government department in charge of the cost review of this project is the Harbin Financial

Investment Review Centre (哈尔滨市财政投资评审中心) (the “Review Centre”). After on-site survey, engineering quantity verification, and confirmation of the additional item pricing of the winning bid list (中标清单增项价格), the total construction cost of the project is then confirmed. The Company is responsible for organising all completion materials, including but not limited to settlement statements, calculation formulas, drawings, internal business, invoices, construction image materials and other necessary supporting materials, and submit them to the Review Centre after verification by the economic department of the Harbin Urban and Rural Construction Committee, the counter-party to the contract of phase one of the underground utility tunnel project.

During the entire review process, the Group’s budget team will cooperate in the verification process provided by the Review Centre until the cost finalisation is completed. The cost finalisation time for a single project may take 3-6 months, and it may be extended depending on the specific situation of the project. After both parties confirm that the costs are correct, the Review Centre will issue a cost finalisation assessment report. The settlement amount (i.e. construction cost) determined by both parties shall be used as the basis for future government subsidies.

As in many other construction projects, there will be instances of variation between the costs submitted by the contractor versus the final costs agreed after the cost finalisation process. The Group will monitor and try its best to minimise such variances closely.

The Company does not wish to disclose future revenue and cashflow as it does not wish to provide any financial forecast. The Company however confirms that it would be able to continue to operate as a going concern.

3. In the corporate governance report, the company has disclosed that it has outsourced its internal audit function to an independent risk advisory and consulting firm, Mazars Certified Public Accountants Heilongjiang Branch.

The internal auditors conducted its internal audit for the group in FY2020 and reported its findings directly to the AC. The internal auditors reported no major internal control weaknesses. In addition, the AC has also reviewed the internal auditor’s report on internal controls and processes and is satisfied with the adequacy of internal controls.

- (i) What was the scope of the internal audit? How was the scope of the internal audit determined?**
- (ii) Can the AC help shareholders understand if the internal audit covered all the major subsidiaries and operations of the group?**
- (iii) What were some of the key findings by the internal audit?**
- (iv) Did the internal auditor make any recommendations to the AC? If so, have the recommendations been implemented?**

Company’s Response:

The internal auditors had conducted internal audits on, *inter alia*, the Group’s cash

and cash management, human resources practices, fixed assets and inventory management, sales and procurement practices in the course of their review over the past cycles. The scope of the internal audit for each financial year is typically determined by the Company together in consultation with the internal auditors, taking into account factors such as business strategy, level of business activities, key risks to the organisation (including emerging and systemic risks), effectiveness of management in managing and controlling these risks, and the frequency and method of audit cycle coverage on the risk areas in preceding financial years, etc. Prior to the commencement of the internal audit, the internal auditors will present their internal audit plans to the audit committee for review and approval.

The internal auditors have carried out their internal audit on the major subsidiaries of the Group on a rotational basis. The Board wishes to highlight that the internal auditors have not reported any high-risk findings, but have noted certain areas where the Group could enhance and tighten its current systems and policies. The internal auditors' key findings related to, *inter alia*, instances where expense claim forms were not completed in a timely or complete manner, the Group not following up on remedial actions with staff who have failed examinations which the Group has implemented as part of its staff knowledge upgrade exercise, and purchase of inventories (while documented by the procurement department) not being captured by the finance team in a timely manner.

The internal auditors have made the necessary recommendations to address the key findings above and the AC has noted that management's action plans to remedy the same were adequately implemented. The AC has also instructed the internal auditors to conduct follow up reviews from time to time.

By Order of the Board

Wu Xueying

Chief Executive Officer and Executive Director

29 April 2021