



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 matters raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 11 April 2018 with reference to the Company’s announcement of 6 April 2018 entitled “Auditor’s Comment of Accounts” (the “**Announcement**”) and its full year results for the year ended 31 December 2017 (the “**FY2017 Results**”). The queries from the SGX-ST and the Company’s responses are as follows:

SGX Query 1

It was disclosed in the Announcement that Auditors is of the opinion that there are “conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern. However, the management has a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next twelve months from the reporting date and the financial statements have been prepared on the going concern basis the validity of which is premised on the following factors: (i) The Group’s ability to reach agreement with a bank to refinance some of its existing loans; (ii) Continuing financial support from related parties, which have given an undertaking to provide such financial support to the Group to meet its liabilities as and when they fall due, for at least the next twelve months from this report date; and (iii) The finalisation of a syndicated loan of RMB1,399,000,000 from financial institutions to finance the construction costs of utility tunnel phase two. In this regard, please disclose the followings:

- (i) *Please elaborate more on the “continuing financial support from related parties”, including but not limited to: (a) the identity of the related parties, (b) the contemplated form and nature of purported financial supports, and (c) details of financial support that has been provided in the past by the same parties, if any;*
- (a) The Company has procured letters of undertaking and support from some of the entities¹ controlled by the Executive Chairman of the Company, Mr Zhao Lizhi (collectively, “**related parties**”).
- (b) Two of the related parties, namely Harbin Green Build Investment Management Co. Ltd. and City Green Build Technology Pte. Ltd., had provided unsecured and interest-free advances which are non-trade in nature amounting to RMB 47 million to date. Additionally, these related parties have given written undertakings to provide such financial support to the Group to meet its liabilities as and when they fall due, for at least the next twelve months from the reporting date. Such financial support will, where applicable and necessary, be in the form of: (i) not recalling any amounts owing by the Group to them unless the Group has excess cash flows to repay the same, where there are pre-existing advances extended by these related parties to the Group; (ii) agreeing

¹ These entities are Harbin Green Build Investment Management Co. Ltd., Harbin Licai Plastic Products Company Limited, Harbin Shenghe Culture Media Limited, Heilongjiang Chuangmeng Municipal Public Facilities Management Service Co., Ltd, and City Green Build Technology Pte. Ltd. .

to act as guarantors for any external loans to be taken by the Group; and/or (iii) providing additional working capital for the Group.

- (c) Save as disclosed above, these parties have not provided any other financial support to the Group in the past.

(ii) Please provide the Board's opinion as to whether trading in shares of the Company should be suspended pursuant to Listing Rule 1303(3); and

With reference to Note 2.1 to the financial statements on page 52 of the Company's annual report (the "Annual Report") for the financial year ended 31 December 2017 ("FY2017"), the Board is of the opinion that the Company and the Group are able continue as a going concern. The basis of the Board's opinion is as follows:

- (a) The Group is currently in negotiations with a bank to obtain a credit facility of a greater credit limit to refinance some of its existing loans and to provide additional working capital;
- (b) The Group has obtained undertakings from certain related parties to provide the necessary financial support, if need be, to meet its liabilities as and when they fall due, for at least the next twelve months from the reporting date;
- (c) The Group has also applied for and is currently awaiting the finalisation of a syndicated loan of RMB1,399,000,000 from financial institutions to finance the construction costs of a newly awarded project (utility tunnel phase two). The lead bank of the syndicated loan arrangement has provided its preliminary approval for its allocated contribution of the syndicated loan. Although the approval from the other participating banks has yet to be obtained, the Group is reasonably confident of obtaining the approval from these banks in due course.

The Board also notes that the Auditors have not disagreed with the Board's opinion.

In view of the above, the Board is of the considered opinion that the trading in the Company's shares should not be suspended pursuant to Listing Rule 1303(3).

(iii) Please provide the Board's confirmation as to whether sufficient information has been disclosed to enable trading to continue in an orderly manner.

The Board is of the opinion that sufficient information has been disclosed for the trading of the Company's securities to continue in an orderly manner. The Board is not aware of any material information that requires disclosure but remains undisclosed as of the date of this announcement. The Company will update shareholders as and when there are any material developments which require the necessary disclosure under the Listing Manual of the SGX-ST.

SGX Query 2

It was disclosed in FY2017 Results that: (a) there was an increase in trade and other receivables of RMB 201 million and the increase was mainly due to the additional work completed for the underground utility tunnel project in FY2017 and the receivables amounting to RMB 528 million were classified as non-current as such amount will only be received from the government after 12 months; (b) there was a one-off fair value loss adjustment (non-cash in nature) of RMB 20.4 million to the carrying amount of the service concession receivables as a result of a delay in the receipt of government subsidies for the Group's underground utility tunnel and insulation public-private partnership projects; (c) the underground utility tunnel project has been completed up to approximately 99.2% and the delay in the completion of the underground utility tunnel project was mainly due to the unexpected obstacles faced by the government in the acquisitions of the relevant lands, which was required for construction of the project and upon the completion of the project, the Group will be entitled to manage and operate the underground utility tunnel project over a concession period of 25 years from 2018. Addition revenue and cash flows are expected during the concession period. In this regard, please disclose:

(i) The aging profile of the trade receivables of RMB 528 million as at 31 Dec 2017;

Based on the agreement with the Harbin Municipal Government, trade (service concession) receivables of RMB 528 million was not due yet as at 31 December 2017.

(ii) The Board's opinion including basis for the opinion on the collectability of the trade receivables of RMB 528 million;

As all trade receivables are due from Harbin Municipal Government, which is essentially the government of the People's Republic of China (the "PRC Government"), the Board is of the opinion that there is no issue on the collectability.

(iii) The anticipated amount and the nature of, and the reason for the delay in the receipt of the government subsidies;

(a) In relation to the insulation project, the expected government subsidies to be received (but not received) for FY2017 was about RMB 57.7 million. The outstanding receipt stems from the delay in the inspection of insulation by the relevant government agencies. Barring any unforeseen circumstances, and to the best knowledge, information and belief of the management, the insulation project inspection is now expected to be completed by end of April 2018 with the related inspection results expected to be released by June 2018. The government subsidies will usually be given after such inspection.

(b) In relation to the underground utility tunnel phase 1 project, the expected government subsidies to be received (but not received) for FY2017 was about RMB 86.1 million, which is due to the delay in the completion of the project. The delay in the completion of the underground utility tunnel phase 1 project was in turn mainly due to the additional time taken by the Harbin Municipal Government to complete the acquisition of the rural household land where the underground utility tunnel project resides. Out of the RMB 86.1 million, the Group has received RMB 47.1 million in March 2018. Barring any unforeseen circumstances, and to the best knowledge, information and belief of the management, the underground utility tunnel phase 1 project will be completed by the end of this year.

(iv) Why the delay in receipt of the said governmental subsidies would result in the one off fair value adjustment of the service concession;

Service concession receivables were initially measured at fair value and subsequently measured at amortised cost. The fair value of such financial assets was represented by their value-in-use, which was estimated by the discounted cash flows model. FRS 39 *Financial Instruments: Recognition and Measurement* stipulates, *inter alia*, that should there be any revision to the timing of receipts of cash flows attributable to these financial assets, the entity shall adjust the carrying amount of such financial assets to reflect the actual and revised estimated cash flows. The amount and timing of expected future cash flows are estimated based on the status and performance of the project. As the timing of actual collections from the PRC Government deviated from that of the contractual cash flows due to the delay as detailed in our response at (iii)(b) above, the service concession receivables have to be re-measured. The re-measurement thus gave rise to the fair value adjustment of approximately RMB 20.4 million.

(v) The methodologies and key assumptions used for the one off fair value adjustment of RMB 20.4 to the carrying amount of the service concession receivables;

Please refer to our response to Query 2(iv) above.

(vi) Whether the Board seek professional consultancy on reaching the above one off fair value loss adjustment; and

The Board has not sought professional consultancy on reaching the above one-off fair value loss adjustment. However, the Company had consulted the auditors on its approach and methodologies in determining the fair value adjustment. The adjustment had also been duly audited and concurred by its auditors.

(vii) Please elaborate more on the obstacles faced by the government for the acquisition of the lands, including: (a) details of the lands to be acquired, (b) which government is involved; (c) why the lands were not acquired prior to the construction of the project, (d) the timetable of actions to be taken for the said government to acquire the said lands, and (e) what are the consequence if the lands cannot be acquired.

- (a) The land in question to be acquired relates to an approximately 1 square kilometer of rural housing land area in the vicinity of the Underground Utility Project phase 1 site.
- (b) The government involved is the Harbin Municipal Government.
- (c) The responsibility for the acquisition of the land lies solely with the Harbin Municipal Government. The Board is not privy to and does not know the reasons behind the decision of the Harbin Municipal Government to not acquire all land prior to the construction of the project.
- (d) All of the land had been acquired by September 2017.
- (e) Not applicable.

By Order of the Board

Wu Xueying

Chief Executive Officer and Executive Director

13 April 2018