



GREEN BUILD TECHNOLOGY

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

RESPONSE ANNOUNCEMENT TO THE 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 7 July 2020 in relation to the Company’s Annual Report for the financial year ended 31 December 2019 (“**FY2019**”) (the “**Annual Report**”). The queries from the SGX-ST and the Company’s responses are as follows:

1. **Provision 2.4 of the Code of corporate governance 2018 (the “Code”) states that, “The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company’s annual report.”**

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 2.4 of the Code as it has not disclosed its board diversity policy and progress made towards implementing the board diversity policy, including objectives. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Company’s response:

As disclosed in page 32 of the Annual Report, one of the Company’s Nominating Committee’s (the “**NC**”) primary considerations when reviewing the Board’s composition is to ensure that the Board and its Board Committees should comprise a sufficient number of Directors to fulfil its responsibilities and who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Company. The Directors should also provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge. The number of Directors may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified.

The NC reviews the composition of the Board annually to ensure that the Board has an appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making.

The Board currently comprises of five Directors (including one female Director) with a mix of experience in finance (including audit and accounting), marketing, business administration, management and civil engineering. The ages of the Directors range from late 30s to late 60s. As set out in the Annual Report, the Board is satisfied that its Directors, with its current diversity and mix of skills, knowledge and experience, is appropriate taking into account the scope and nature of the business and operations of the Company and of the Group.

Hence while the Company has not disclosed a formal board diversity policy, the Board is of the view that the practices the Company has adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

2. Provision 8.1 of the Code states that “The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:

- (a) each individual director and the CEO; and**
- (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.” (emphasis added)**

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.1 of the Code with regard to the disclosure of the amounts of remuneration of each individual director and the CEO. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company’s remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Company’s response:

As set out in page 39 of the Annual Report, the Group is not disclosing the remuneration of the Executive Directors (which includes the Chief Executive Officer) and the Group’s top executives for confidentiality reasons and to avoid poaching of the Group’s staff. The Group has inadvertently omitted, and wishes to hereby include that the remuneration of the Group’s Independent Directors are similarly not disclosed in specifics for confidentiality reasons, and to further ensure that the Company is not beholden to provide a baseline fee for any incoming independent directors.

The Company has also disclosed on page 39 of the Annual Report the Company’s remuneration policies in determining the Executive Directors and Non-Executive Directors’ remuneration. Taken as a whole, the Company believes that the disclosures provided are sufficiently transparent in providing an understanding of the remuneration of its Directors and top executives of the Group.

3. **Provision 8.2 of the Code states that, “The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.”**

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.2 of the Code with regard to the disclosure of names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of the CEO of the company, and whose remuneration exceeds S\$100,000 during the year. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Company's response:

The only employee (other than the Executive Chairman and Director, Mr Zhao Lizhi) who is a substantial shareholder of the Company is Mr. Li Mingyang. Mr. Li's remuneration is set out in page 40 of the Annual Report and by way of inadvertent omission, the Company has not stated within the corporate governance report that Mr. Li is a substantial shareholder of the Company. The number of shares held by Mr. Li have been separately set out on page 109 and 110 of the Annual Report.

The Company further wishes to clarify that there are no employees of the Group who are immediate family members of a Director, the Chief Executive Officer or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during the year.

4. **Provision 9.2 of the Code states that “The Board requires and discloses in the company's annual report that it has received assurance from:**
- (a) the CEO and the Chief Financial Officer (“CFO”) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and**
 - (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.” (emphasis added)**

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 9.2 of the Code with regard to (i) the assurance from the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances and (ii) the assurance from other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems. Please clarify how the

practices the Company had adopted are consistent with the intent of Principle 9 of the Code, which requires the Board to be responsible for the governance of risk and ensuring that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Company's response:

As set out in page 41 of the Annual Report, the Company does not currently have a Chief Financial Officer and is in the process of sourcing for a suitable candidate. In the meantime, the Board relies on the CEO and the finance manager, who heads the Group's Finance Department based in the Group's place of operation, to provide the necessary assurances. The Board therefore wishes to clarify that it has considered and accepted the following assurance from the CEO and the finance manager, who the Board considers a key management personnel, that:

- (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (b) the Group's risk management and internal controls system (including financial, operational, compliance and information technology controls) are adequate and effective.

5. **Listing Rule 1207(10C) states that the annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including audit committee's comment on whether the internal audit function is independent, effective and adequately resourced.**

Please clarify whether and how Listing Rule 1207(10C) has been complied with. Where the internal audit function is outsourced, please provide information on the relevant experience of the accounting firm and the engagement team.

Company's response:

As set out in page 44 of the Annual Report, the internal audit function of the Group has been outsourced to Ruihua Certified Public Accountants LLP ("**RHCPA**"). RHCPA reports primarily and directly to the AC and has unfettered access to all the Group's documents, records, properties and personnel of the Group.

As disclosed in the Annual Report, the AC annually assesses and ensures the adequacy of the internal audit function. The AC is satisfied that the internal audit function is (i) adequately resourced and has appropriate standing within the Group, (ii) staffed with persons with relevant qualifications and experience, and (iii) carries out its functions according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. This is because it has engaged RHCPA to carry out internal audit.

RHCPA is a professional and international large-scale accounting firm with a development history of more than 20 years. According to the announcement "Information on the Top 100 Accounting Firms for Business Income in 2018" by the China Institute of Certified Public Accountants, RHCPA is ranked sixth in the People's Republic of China (the "**PRC**"). RHCPA is also the only member firm of Crowe Global accounting network in the PRC. The firm currently employs nearly 10,000 people, more than 2,500 certified public accountants, nearly 350 partners, and 27 leading national accounting professionals in the PRC. Many of them serve as expert committee members of the

Ministry of Finance, the China Securities Regulatory Commission and the China Institute of Certified Public Accountants.

RHCPA's clients include large corporations and listed companies spanning across a wide variety of industries.

The engagement team conducting the Company's internal audit function includes Ms Wang Li, the audit partner, and Mr Wang Rui, the senior project manager. Both Ms Wang Li and Wang Rui have been certified public accountants of the Heilongjiang Institute of Certified Public Accountants since 1998 and 2005 respectively, and have many years of internal audit experience under their belts.

By Order of the Board

Wu Xueying

Chief Executive Officer and Executive Director

8 July 2020