

Issuer: Green Build Technology Limited

Security: Green Build Technology Limited

Meeting details:

Date: 30 April 2018

Time: 10.00 a.m.

Venue: Shibuya Room at level 4 of TKP Conference Centre, 137 Cecil Street, Singapore 069537

Company Description

Green Build Technology Limited, an investment holding company, engages in the urban infrastructure construction activities in the People's Republic of China. The company operates through Insulation, Underground Utility Tunnel, Project Management, and Materials Trading segments. It also upgrades existing housing estates using green architecture and green technology; and invests in, manages, and operates energy-saving and environmental projects. In addition, the company trades in construction materials; and offers architectural design and construction services for government projects, as well as promotes and provides energy conservation services. The company was formerly known as Youyue International Limited and changed its name to Green Build Technology Limited in October 2014. The company was founded in 2004 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=Y06)

1. As reported in the Operational and Financial Review (page 17 of the annual report), the group's main project, the underground utility tunnel project, was substantially completed as at 31 December 2017. With an incremental progress of 35.6% in the financial year, the 99.2% completed project, under a Public-Private-Partnership" model, contributed RMB288.7 million in revenue.

- (i) **When will the project be totally completed and ready to be operationalised?**
- (ii) **Following the completion of the construction, would the local government need to inspect/certify that the underground utility tunnel is built according to specifications prior to handing over/operationalisation?**

In the company's announcement of the award of the project dated 15 October 2015, the company had said that "[t]he approximate cost of investment for the Underground Utility Tunnel Project is estimated to be Renminbi Nine Hundred and Forty Seven Million (RMB947,000,000). Approximately Renminbi Four Hundred and Thirty Seven Million (RMB437,000,000) of the Project cost will be borne by the Group, while the Harbin Municipal Government will bear the rest of the cost involved."

- (iii) **Can management update shareholders on the total cost incurred in the construction of the utility tunnel?**
- (iv) **What is the total amount due from the Harbin Municipal Government and when can the group collect from them?**
- (v) **Can management update shareholders on the streams of future cash flows from the utility tunnel project? What are the expected entrance fees and how are these calculated? Are the entrance fees regulated? If so, which authority is in charge of the review?**
- (vi) The group also recognised a loss of RMB20.4 million on remeasurement of service concession receivables due to the delay in the receipt of government subsidies for the Group's underground utility tunnel and insulation public-private partnership (PPP) project. **Can management provide a breakdown to the fair value loss from the two projects individually?**
- (vii) The underground tunnel project faced delays due to the unexpected obstacles faced by the government in the acquisition(s) of relevant land. **Is the group going to receive any form of compensation as a result?**

2. The group reported total equity of RMB59.5 million as at 31 December 2017. The group's total assets stood at RMB1.13 billion as at 31 December 2017. The group has RMB727.2 million in total bank borrowings and a further RMB328.3 million in trade and other payables.

The group is in a net current liability position of RMB163.8 million as at 31 December 2017. Cash and cash equivalent stood at RMB1.3 million at the end of the financial year.

The board has stated that its capital management policy is "to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business [...] the Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders."

- (i) **Has the board deliberated on the maximum amount of leverage the group can employ so that the balance sheet would not be overly stretched?**
- (ii) **What is the measure that the board uses to assess the group's gearing? As at 31 December 2017, what is the group's leverage?**
- (iii) **With the completion of the utility tunnel project, can management tell shareholders the quantum and timing of the expected cash flows? Post the receipt of the subsidies, what will be the group's leverage?**

- (iv) **Can the board also elaborate further on the dividend policy of the company? Is the company in a good position to distribute dividends to shareholders given that it is expected to collect steady cash flow streams from the entrance fees?**

3. On 12 September 2017, the company announced that the company's wholly-owned subsidiary Harbin Shengming Energy Saving and Technology Co., Ltd ("Harbin Shengming") has established a 100% owned subsidiary Harbin Utility Tunnel Phase Two Construction and Management Co., Ltd with a registered capital of RMB83,920,001.

In the Unaudited full year financial statements for the financial year ended 31 December 2017 dated 28 February 2018, the company disclosed in Note 10 that the new subsidiary was incorporated to "undertake a new underground utility tunnel project awarded to us in September 2017. The project is expected to be completed by December 2020. After the completion the project, there will be 20 years of operational period from 2021."

Rule 703(1) of the SGX Rulebook states that an issuer must announce any information known to the issuer concerning it or any of its subsidiaries or associated companies which is necessary to avoid the establishment of a false market in the issuer's securities or would be likely to materially affect the price or value of its securities. In addition, the Corporate Disclosure Policy, as set out in Appendix 7.1 of the Manual, requires the issuer to immediately disclose the acquisition or loss of a significant contract.

- (i) **Can the board explain if the new project awarded to the group is material and would be regarded as a significant contract? What are the approximate investment/development costs and what are the total government subsidies for this new project?**
- (ii) For the soon-to-be completed utility tunnel project, the group holds a 25-year concession. Phase 2 of the project comes with a 20-year concession. **Can management help shareholders understand how it had negotiated with the local government and what are the reasons why the concession for the second phase is shorter?**
- (iii) **Has management evaluated the rate of return from the first utility tunnel project? Are the projected returns from the second phase in the same ballpark?**
- (iv) **Going forward, when the group sources and tenders for new projects, what guidance has the board given to management with regard to the investment hurdle given cost of capital, the execution risks, long gestation period of such PPP/infrastructure projects?**