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Independent auditors' report

Members of the Company
Green Build Technology Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Green Build Technology Limited ('the Company') and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages FS1 to FS44.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA' Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2.1 in the financial statements, which indicates that the Group's net current liabilities position of RMB163,848,000.

As explained therein, the financial statements have been prepared on a going concern basis, the validity of which is premised on following:

- (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;
- (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.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

If for any reason the Group is unable to continue as a going concern, it could have an impact on the Group's classification of assets and liabilities, and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Recognition of revenue from construction contracts (Refer to note 16 to the financial statements)	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group has two service concession arrangements with the Government of Harbin relating to a public housing insulation project and an underground utility tunnel project. The public housing insulation project was completed in 2016, while the underground utility tunnel project was on-going but near completion as at 31 December 2017.</p> <p>Most of the cash considerations for the construction of the projects would be received subsequent to the completion of the projects. Under INT FRS 112, construction revenue and related margin is recognised based on the contractual cash flows during the service concession period allocated to the construction phase by reference to the expected margin and the stage of completion of the underlying projects. On this basis, 94% of the total revenue of the Group during the year comes from the underground utility tunnel project.</p> <p>The project's stage of completion is estimated using the input method (ie. actual costs incurred against total budgeted costs). The budgeted costs are subject to re-forecasting and risk of estimation uncertainties.</p>	<p>We have assessed the reasonableness of the expected construction margin against available industry data. We assessed management's budget by verifying the budgeted costs to executed contracts and variation orders with sub-contractors and challenged management for any significant variations. In addition, we reviewed the actual costs incurred to-date for the project against the project status; and assessed the reasonableness of the total estimated costs to complete the project.</p> <p><i>Our findings</i></p> <p>We found the project's stage of completion reflective of the status and contract performance. The construction margin recognised falls within the industry benchmarks.</p>

Collectibility and re-measurement of service concession receivables (Refer to note 9 to the financial statements)	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Service concession receivables are measured initially at fair value based on the discounted cash flows during the service concession period of the projects (the “Business Plan”).</p> <p>During the year, actual collections fell short of the Business Plan, mainly due to construction delay, and consequently, delaying the receipt of the collections from the government. As a result, the Business Plan was revised, and the service concession receivables were re-measured, with the resultant loss recognised in profit or loss.</p> <p>Such revised Business Plan continues to be subject to estimation uncertainties, especially when the construction project is subject to regulatory inspections and approval, which can affect the timing of disbursement of the approved government cash flows.</p>	<p>We reviewed the revised Business Plan, taking into consideration the latest developments of the construction, and assessed the appropriateness of the assumptions, especially on the collectibility and timing of expected cash flows applied, together with the related disclosures in the financial statements.</p> <p><i>Our findings</i></p> <p>We found that the revised Business Plan incorporated the relevant considerations, and factored in the timing of cash flows according to the status and performance of the projects. We found the disclosures to have adequately disclosed the estimation uncertainty conformed in the Business Plan used to re-measure the service concession receivables.</p>

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors’ report thereon.

We have obtained all other information, prior to the date of this auditors’ report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Lim Pang Yew, Victor.

KPMG LLP
*Public Accountants and
Chartered Accountants*

Singapore
6 April 2018