INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREEN BUILD TECHNOLOGY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Green Build Technology Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 10 to 68, which comprise the statements of financial position of the Group and the Company as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company 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 *Auditor's 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 (ACRA) *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 3 to the financial statements with respect to the Group's ability to continue as a going concern. As at 31 December 2018, the Group's current liabilities exceeded its current assets by RMB313,798,000 (2017: RMB199,181,000).

This factor indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and to realise its assets and discharge its liabilities in the ordinary course of business. Nevertheless, for the reasons disclosed in Note 3 to the financial statements, the management of the Company is of the view that it is appropriate for the financial statements of the Group to be prepared on a going concern basis. 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 matters 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.

1. Accounting for construction service revenue from service concession arrangements

   As disclosed in Note 4 to the financial statements, the Group recognised construction service revenue from service concession arrangements amounting to RMB84,319,000

(2017: RMB308,840,000) during the financial year ended 31 December 2018. The construction service revenue accounted for approximately 87% (2017: 95%) of the Group's revenue for the financial year ended 31 December 2018.

The Group enters into service concession arrangements with a government agency of the People's Republic of China to construct and operate underground utility tunnel on Public-Private Partnership ("PPP") basis ("project"). Management determines the service concession arrangements fall within the scope of SFRS(I) INT 12 *Service Concession Arrangements* ("SFRS(I) INT 12"). The Group applies SFRS(I) 15 *Revenue from Contracts with Customers* in its recognition of revenue from service concession arrangements, which includes revenue relating to construction services, operation income and finance income. Disclosures with respect to revenue are included in Notes 2(o), 4 and 14 to the financial statements.

The Group recognised construction service revenue over time by reference to completion of the specific transaction assessed on the basis of the contract costs incurred up to the end of the reporting period as a percentage of the estimated total contract costs for each project.

Accounting for construction service revenue from service concession arrangements is considered a key audit matter due to the significance of this amount to the Group's consolidated financial performance. In addition, there are significant judgement and estimations involved in determining the contract costs incurred and the estimated total contract costs.

Our procedures to address the key audit matter

In the course of our Group audit, we evaluated the independence, objectivity, capabilities and competence of the component auditor of the subsidiaries. We evaluated the adequacy and appropriateness of the audit work performed and evidence obtained by the component auditor in respect of the service concession arrangements and revenue recognition. We assessed the appropriateness of the Group's revenue recognition policies, evaluated the Group's process in assessing the applicability of SFRS(I) INT 12 and reviewed the associated agreements to assess whether these agreements are appropriately identified as service concession arrangements to be within the scope of SFRS(I) INT 12.

We obtained an understanding of management's process in estimating total contract costs and their monitoring of progress of the project.

We reviewed the actual contract costs incurred to-date against the project status and assessed the reasonableness of the estimated total contract costs to complete the project.

We also considered the adequacy and appropriateness of the disclosures related to service concession arrangements in the financial statements.

2. Loss on change in estimates of the fair value of the consideration under service concession arrangements

During the financial year, the Group recognised loss on change in estimates of the fair value of the consideration under service concession arrangements amounting to RMB4,427,000 (2017: RMB20,365,000) in the Group's profit or loss. The loss arose from the re-measurement of the fair value of the consideration mainly as a result of actual collections from the government agency of the People's Republic of China were not in accordance with the expected cash flows due to changes in the timing of the completion of the construction services under the service concession arrangements. The amount and timing of the expected future cash flows are estimated based mainly on the latest developments of the construction status under the service concession arrangements.

As disclosed in Note 14 to the financial statements, the Group's service concession receivables and contract assets as at 31 December 2018 totalled RMB746,223,000 (2017: RMB740,253,000) and accounted for approximately 86% (2017: 65%) of the Group's total assets as at 31 December 2018.

We considered this to be a key audit matter because of the significance of the consideration from these service concession arrangements, and the carrying values of the service concession receivables and contract assets and the element of judgement and estimates applied by management in forecasting and discounting expected future cash flows for re-measurement of the fair value of the consideration.

Our procedures to address the key audit matter

We obtained an understanding of management's process in estimating the timing of expected future cash flows and assumptions applied in the discounted cash flows.

We reviewed the discounted cash flows for re-measurement of the fair value of the consideration under service concession arrangements, taking into consideration the latest developments of the construction status under service concession arrangements, and assessed the appropriateness of the assumptions, especially on the timing of expected future cash flows applied by management.

We also considered the adequacy and appropriateness of the disclosures related to the re-measurement of the fair value of consideration under service concession arrangements in the financial statements.

Other Matter

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2017 were audited by another independent auditor whose report dated 6 April 2018 expressed an unmodified opinion with Material Uncertainty Related to Going Concern on those financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2018, but does not include the financial statements and our auditor's report thereon.

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 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 SFRS(I), 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.

Auditor's 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 auditor's 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 control.

- Obtain an understanding of internal control 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 control.

- 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 auditor’s 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 auditor’s 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 control 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 to 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 auditor’s report unless law or regulation precludes 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 the subsidiary corporation 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 auditor’s report is Lim Kok Heng.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

7 May 2019

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

3 Critical accounting judgements and key sources of estimation uncertainty

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt in the preceding paragraphs).

Critical judgements in applying the Group's accounting policies

Going concern assumption

As at 31 December 2018, the Group's current liabilities exceeded its current assets by RMB313,798,000 (2017: RMB199,181,000). This factor indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and to realise its assets and discharge its liabilities in the ordinary course of business. Nevertheless, the management of the Company believes that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2018 is appropriate after taking into consideration the following factors:

(i) In December 2018, the Group successfully obtained a 23-year loan facility from a bank amounting to RMB564,000,000. In January 2019, RMB564,000,000 was drawn down, of which RMB267,866,000 was used to refinance certain existing loans (current and non-current), and the remaining amount was or will be deployed as additional working capital for the Group. This has extended the Group's debt maturity profile, which has in turn reduced its total current liabilities and improved its liquidity position.

(ii) Certain related parties (entities in which the executive chairman has substantial financial interests) have agreed to unconditionally provide continuous financial assistance to the Group to enable it to meet its obligations and to carry on its business for a period of not less than twelve months from 7 May 2019.

The financial statements have been prepared on the assumptions that the Group will continue as a going concern. If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

Functional currency

As disclosed in Note 2(t), the functional currency of the Company and its principal entities in the PRC is Singapore dollars and RMB respectively.

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the Group entities, judgement is required by management to determine the primary economic environment in which the Group entities operate, the Group entities' process of determining sales prices and the currency of the country whose competitive forces and regulations mainly influences the prices of its goods and services. Management has assessed that prices are mainly denominated and settled in the respective local currency of the Group entities. In addition, most of the Group entities' cost base is mainly denominated in their respective local currency. Therefore, management concluded that the functional currency of the Group entities is their respective local currency.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Construction service revenue

The Group recognised construction service revenue over time by reference to completion of the specific transaction assessed on the basis of the contract costs incurred up to the end of the reporting period as a percentage of the estimated total contract costs for each project.

Significant judgement and estimations involved in the determining the contract costs incurred and the estimated total contract costs. In making these estimates, the Group relied on past experience and knowledge of the project management team.

If the estimated total contract costs of on-going projects to be incurred had been higher/lower by 10% from management's estimates, the Group's revenue for the financial year would have been lower/higher by RMB88,000 and RMB108,000 respectively.

Allowance for expected credit losses of trade and other receivables, service concession receivables and contract assets

When measuring ECL, the Group and the Company use reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. As the calculation of loss allowance on trade and other receivables, service concession receivables and contract assets is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of trade and other receivables, service concession receivables and contract assets. Details of ECL measurement and carrying value of trade and other receivables, service concession receivables and contract assets at the end of the reporting period are disclosed in Note 27(b).