BHCC Holding Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1552)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "Board") of directors (the "Directors") of BHCC Holding Limited (the "Company", together with its subsidiaries, the "Group") announces the consolidated results of the Group for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	**2018** *S$*	2017 *S$*
Revenue	4	**109,955,234**	143,955,670
Cost of services		**(103,610,293)**	(129,545,045)
Gross profit		**6,344,941**	14,410,625
Other income	5a	**551,682**	618,772
Other gains and losses	5b	**241,413**	(272,747)
Other expenses	5c	—	(3,383,311)
Selling expenses		**(25,414)**	(31,946)
Administrative expenses		**(3,237,384)**	(2,783,930)
Finance costs	6	**(225,923)**	(116,796)
Profit before taxation		**3,649,315**	8,440,667
Income tax expense	7	**(503,785)**	(2,233,554)
Profit and total comprehensive income for the year	8	**3,145,530**	6,207,113

	Note	2018	2017
		S$	*S$*
Profit attributable to:			
Owners of the company		**3,145,530**	5,215,355
Non-controlling interest		**—**	991,758
		3,145,530	6,207,113
Basic and diluted earnings per share *(S$ cents)*	9	**0.39**	0.79

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	**31 December 2018** *S$*	31 December 2017 *S$* (Restated*)	1 January 2017 *S$* (Restated*)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment		**18,643,820**	14,284,462	2,573,297
Intangible asset		**175,000**	175,000	175,000
Available-for-sale investments		**—**	2,724,910	2,724,910
Investment properties		**14,611,019**	5,285,094	—
Deposits paid for acquisition of property or land		**—**	—	6,377,213
Deposits paid for performance bond		**1,360,390**	1,360,390	—
Pledged deposits for performance bond		**988,770**	—	—
		35,778,999	23,829,856	11,850,420
Current assets				
Trade receivables	10	**5,641,686**	1,685,697	9,634,679
Other receivables and deposits		**1,737,185**	1,452,053	1,103,161
Contract assets	11	**15,105,683**	17,286,022	10,124,822
Amounts due from related companies		**1,432,626**	1,133,466	9,430,000
Amount due from shareholders		**182**	182	—
Cash and cash equivalents		**32,321,841**	32,231,219	29,729,924
		56,239,203	53,788,639	60,022,586
Current liabilities				
Trade and other payables	12	**(30,292,135)**	(29,751,417)	(34,298,233)
Contract liabilities	11	**(2,107,036)**	(233,184)	(7,128,022)
Amounts due to related companies		**—**	—	(1,914,480)
Amount due to directors		**—**	—	(35,096)
Amounts due to a shareholder		**—**	—	(93,865)
Obligations under finance leases		**(14,572)**	—	(69,875)
Borrowings		**(982,815)**	(292,101)	(182,025)
Income tax payable		**(644,576)**	(2,079,450)	(1,613,708)
		(34,041,134)	(32,356,152)	(45,335,304)

	Note	31 December 2018 S$	31 December 2017 S$ (Restated*)	1 January 2017 S$ (Restated*)
Net current assets		**22,198,069**	21,432,487	14,687,282
Total assets less current liabilities		**57,977,068**	45,262,343	26,537,702
Non-current liabilities				
Obligations under finance leases		**(17,662)**	—	(42,118)
Borrowings		**(15,281,651)**	(5,921,675)	(3,949,816)
Deferred tax liabilities		**(221,467)**	(305,000)	(282,000)
		(15,520,780)	(6,226,675)	(4,273,934)
Net assets		**42,456,288**	39,035,668	22,263,768
EQUITY				
Capital and reserves				
Share capital		**1,389,830**	1,389,830	10,680,000
Reserves		**41,066,458**	37,645,838	7,099,338
Equity attributable to owners of the Company		**42,456,288**	39,035,668	17,779,338
Non-controlling interest		**—**	—	4,484,430
		42,456,288	39,035,668	22,263,768

* The comparative information has been restated as a result of the initial application of IFRS 15 as discussed in Note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL

BHCC Holding Limited (the "Company") was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 21 February 2017 and its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance") on 20 March 2017. The head office and principal place of business of the Company is at 20 Sin Ming Lane, #06-66, Midview City, Singapore 573968. Subsequent to year ended 31 December 2018, the head office and principal place of business of the Group has changed to No. 1 Tampines North Drive 3, #08-01, BHCC SPACE, Singapore 528499. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 12 September 2017.

The Company is a subsidiary of Huada Developments Limited ("Huada Developments"), incorporated in the British Virgin Islands ("BVI"), which is also the Company's ultimate holding company. Huada Development is owned by Mr. Yang Xinping and his spouse Ms. Chao Jie. Upon the entering into of the concert party deed, Huada Developments, Mr. Yang, Mrs. Yang, Eagle Soar Global Limited ("Eagle Soar") and Ms. Han Yuying became a group of controlling shareholders of BHCC Holding Limited and its subsidiaries (the "Group") (together referred to as the "Controlling Shareholders").

The Company is an investment holding company and the principal activities of its operating subsidiaries are the provision of building construction services.

The consolidated financial statements are presented in Singapore Dollars ("S$"), which is also the functional currency of the Company.

The consolidated financial statements are approved by the board (the "Board") of directors (the "Directors") of the Company on 29 March 2019.

2 GROUP REORGANISATION AND BASIS OF PREPARATION

For the purpose of the listing of the Company's shares on the Main Board of the Stock Exchange, the Group underwent a group reorganisation ("Group Reorganisation") as set out in the section headed "History, Reorganisation and Corporate Structure" to the prospectus of the Company dated 29 August 2017.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared to include the financial statements of the companies now comprising the Group.

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amended IFRSs that are effective for the current year

For the purpose of preparing and presenting the consolidated financial statements for the year ended 31 December 2018, the Group has consistently applied the accounting policies which conform with IFRSs, which are effective for the accounting period beginning on 1 January 2018. Except for the change in classification of retention sum and accrued revenue from trade receivables under IAS 11 to contract assets under IFRS 15, the application of IFRS 15 on 1 January 2018 has no impact on the timings and amounts of revenue recognised in the respective reporting periods. The amount of adjustment for each financial statement line item affected by the application of IFRS 15 is presented below.

Impact on assets, liabilities and equity as at 31 December 2017

	As previously reported *S$*	IFRS 15 adjustments *S$*	As restated *S$*
Trade receivables	17,592,755	(15,907,058)	1,685,697
Contract assets	—	17,286,022	17,286,022
Amount due from customers for construction work	2,771,130	(2,771,130)	—
Amount due to customers for construction work	(4,240,761)	4,240,761	—
Contract liabilities	—	(233,184)	(233,184)
Amount due from related companies	3,748,877	(2,615,411)	1,133,466
Total effect on net assets		—	

Impact on consolidated cash flow as at 31 December 2017

	As previously reported *S$*	IFRS 15 adjustments *S$*	As restated *S$*
Trade receivables	4,216,864	3,732,118	7,948,982
Contract assets	—	(7,161,200)	(7,161,200)
Amount due from customers for construction work	(1,919,673)	1,919,673	—
Amount due to customers for construction work	(8,315,035)	8,315,035	—
Contract liabilities	—	(6,894,838)	(6,894,838)
Amount due from related companies	8,185,582	89,212	8,274,794
Net effect on cash used in operating activities		—	

The Group has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5(a), and (b), or for modified contracts in IFRS 15:C5(c) but using the expedient in IFRS 15:C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 January 2018.

The Group applied IFRS 9 with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39 as permitted under IFRS 9 transitional provision. Except for the change in the measurement of the available-for-sale investments from stated at cost less impairment to fair value through profit or loss, application of IFRS 9 on 1 January 2018 has no impact on the financial position of the Group with regard to classification and measurement of financial instruments nor has any material additional impairment been recognised upon application of expected loss approach as at same date. The Group adjusted the fair value changes on investments in equity instrument designated as at FVTPL against accumulated profits as at 1 January 2018 of S$275,090.

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these consolidated financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective which are relevant to the Group:

IFRS 16	Leases[1]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IAS 1 and IAS 8	Definition of Material[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019, with early application permitted.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after 1 January 2020.

The directors of the Company considers that the application of the other new and amendments to IFRSs is unlikely to have a material impact on the Group's financial position and performance as well as disclosure, except as noted below:

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of S$246,447. A preliminary assessment indicates that the adoption of IFRS 16 is unlikely to result in significant impact on the Group's result but the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

In addition, the Group currently considers refundable rental deposits paid of S$139,720 as rights and obligations under leases to which IFRS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments ann included in the carrying amount of right-of-use assets.

4 REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from the provision of building and construction works, solely derived in Singapore during the financial year.

Information is reported to the Executive Directors, being the chief operating decision makers ("CODM") of the Group, for the purposes of resource allocation and performance assessment. The accounting policies are the same as Group's accounting policies. The CODM reviews revenue by nature of contracts, i.e. "Main Contractor Projects" and "Subcontractor Projects" and profit for the year as a whole. No analysis of the Group's results, assets and liabilities is regularly provided to the CODM for review. Accordingly, only entity-wide disclosures on services, major customers and geographical information are presented in accordance with IFRS 8 *Operating Segments*.

An analysis of the Group's revenue for the year is as follows:

	2018	2017
	S$	*S$*
Revenue from:		
Main Contractor Projects	**79,260,008**	121,367,653
Subcontractor Projects	**30,695,226**	22,588,017
	109,955,234	143,955,670

Information about the major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2018	2017
	S$	*S$*
Customer A	**64,156,099**	86,073,841
Customer B	**—***	27,699,891
Customer C	**13,267,587**	—*

* Revenue did not contribute over 10% of the total revenue of the Group.

As permitted under the transitional provisions in IFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2017 is not disclosed.

	2018
	S$
Revenue from:	
Main Contractor Projects	**72,234,707**
Subcontractor Projects	**25,007,703**
	97,242,410

Management expects that 81% of the transaction price allocated to the unsatisfied contracts as of 31 December 2018 will be recognised as revenue during the next reporting period (S$79,091,924). Of the remaining 19%, S$9,900,000 will be recognised in the 2020 financial year and S$8,250,486 in the 2021 financial year.

Geographical information

The Group principally operates in Singapore. All revenue is derived from Singapore based on the location of services delivered and the Group's property, plant and equipment are all located in Singapore.

5 a. OTHER INCOME

	2018	2017
	S$	*S$*
Government grants *(Note)*	**225,284**	353,154
Service income on secondment of labour and subcontracting fee, net	**20,088**	81,944
Interest income	**171,810**	146,774
Rental income	**134,500**	15,200
Others	**—**	21,700
	551,682	618,772

Note: Government grants are mainly the Productivity Innovation Project Scheme ("PIP") and Mechanisation Credit Scheme ("Mech C"), which compensate expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs.

Under the PIP, the government aims to encourage and facilitate Singapore-registered businesses to build up their capacity, identify productivity gaps and improve site processes so as to achieve higher site productivity. The Group received grants under the PIP with amounts of S$100,000 for the financial year ended 31 December 2018 (2017: S$200,000).

Under Mech C, the government provides assistance to Singapore-registered businesses to defray the cost of adopting technologies that improve productivity in construction projects. The Group received grants under Mech C with amount S$71,272 for the financial year ended 31 December 2018 (2017: S$21,490).

The remaining grants are incentives as compensation of expenses already incurred or as immediate financial supports with no relation to any assets received upon fulfilling the conditions attached to them.

b. OTHER GAINS AND LOSSES

	2018	2017
	S$	*S$*
Loss arising on disposal of property, plant and equipment	**—**	(4,212)
Exchange gain (loss), unrealised	**241,413**	(268,535)
	241,413	(272,747)

c. OTHER EXPENSES

	2018	2017
	S$	*S$*
Listing expenses	**—**	3,383,311

6 FINANCE COSTS

	2018	2017
	S$	*S$*
Interest on:		
Bank borrowings	**224,799**	114,860
Obligations under finance leases	**1,124**	1,936
	225,923	116,796

7 INCOME TAX EXPENSE

	2018	2017
	S$	*S$*
Tax expense comprises:		
Current tax		
— Singapore corporate income tax ("CIT")	**650,050**	2,079,450
— (Over) Underprovision of prior year's tax	**(62,732)**	131,104
Deferred tax expense	**(83,533)**	23,000
	503,785	2,233,554

Singapore CIT is calculated at 17% of the estimated assessable profit eligible for CIT rebate of 40%, capped at S$15,000 for the Year of Assessment 2018, and adjusted to 20%, capped at S$10,000 for the Year of Assessment 2019. Singapore incorporated companies can also enjoy 75% tax exemption on the first S$10,000 of normal chargeable income and a further 50% tax exemption on the next S$290,000 of normal chargeable income.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018	2017
	S$	*S$*
Profit before taxation	**3,649,315**	8,440,667
Tax at applicable tax rate of 17%	**620,384**	1,434,913
Effect of different tax rate of the Company operating in other jurisdiction	**47,811**	643,666
Tax effect of expenses not deductible for tax purpose	**—**	79,345
Effect of tax concessions and partial tax exemptions	**(68,969)**	(40,925)
Tax effect of enhanced allowance *(Note)*	**(38,183)**	(20,341)
(Over) Under provision of prior years' tax	**(62,732)**	131,104
Others	**(5,474)**	5,792
Taxation for the year	**503,785**	2,233,554

Note: Being additional 300% tax deductions/allowances for qualified capital expenditures and operating expenses under the PIC scheme in Singapore for the Year of Assessment 2018.

8 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2018	2017
	S$	*S$*
Depreciation of property, plant and equipment *(Note a)*	**1,284,334**	1,165,292
Depreciation of investment properties	**134,938**	28,727
Audit fees to auditors of the Company:		
— Annual audit fees	**150,000**	150,000
— Audit fees in connection with the listing of the Company *(Note c)*	**—**	80,250
Non-audit fees to auditors of the Company *(Note c)*	**—**	62,250
Listing expenses *(Note c)*	**—**	3,383,311
Directors' remuneration	**948,140**	914,501
Other staff costs		
— Salaries and other benefits	**10,792,953**	8,534,451
— Contributions to CPF	**445,634**	488,133
Total staff costs *(Note b)*	**12,186,727**	9,937,085
Cost of materials recognised as cost of services	**20,320,269**	25,131,037
Subcontractor costs recognised as cost of services	**56,576,582**	79,237,161

Note:

a. Depreciation of S$755,801 (2017: S$729,521) are included in cost of services.

b. Staff costs of S$7,274,728 (2017: S$6,775,541) are included in cost of services.

c. Included in listing expenses are audit and non-audit fees of S$80,250 and S$62,250 paid to auditors of the Company respectively, and non-audit fees of S$179,250 paid to other auditors of the Group.

Included in share issue expenses are audit fees and non-audit fees of S$26,750 and S$16,750 paid to the auditors of the Company respectively, and non-audit fees of S$59,750 paid to other auditors of the Group.

9 EARNINGS PER SHARE

	2018	2017
Profit attributable to the owners of the Company *(S$)*	**3,145,530**	5,215,355
Weighted average number of ordinary shares in issue	**800,000,000**	660,821,907
Basic and diluted earnings per share *(S$ cents)*	**0.39**	0.79

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average number of shares in issue.

Diluted earnings per share is the same as the basic earnings per share because the Group has no dilutive securities that are convertible into shares during the years ended 31 December 2018 and 2017.

10 TRADE RECEIVABLES

	As at 31 December	
	2018	2017
	S$	*S$*
Trade receivables	**5,252,263**	1,381,724
Unbilled revenue *(Note a)*	**389,423**	303,973
	5,641,686	1,685,697

Note a: Unbilled revenue are those accrued revenue which the construction certification is issued by the customers before year end but no billing has been raised to customers. The Group's rights of the unbilled revenue are unconditional.

The Group grants credit terms to customers typically between 30 to 60 days (2017: 30 to 60 days) from the invoice date for trade receivables. The following is an analysis of trade receivables by invoice date at the end of each reporting period:

	As at 31 December	
	2018	2017
	S$	*S$*
Within 60 days	**5,252,263**	1,257,670
61 days to 90 days	**—**	102,637
91 days to 180 days	**—**	—
181 days to 365 days	**—**	—
Over 1 year but not more than 2 years	**—**	—
More than 2 years	**—**	21,417
	5,252,263	1,381,724

Before accepting any new customer, the Group assesses the potential customer's credit quality and defined credit limit to each customer on an individual basis. Limits attributed to customers are reviewed once a year.

Prior to 1 January 2018, in determining the recoverability of trade receivables, the management of the Group considers any change in the credit quality of the trade receivables from the initial recognition date to the end of the reporting period. Considering the high credibility of these customers, good track record with the Group and subsequent settlement, management believes the trade receivables at the end of each reporting period were of good credit quality and that no impairment allowance was necessary in respect of the remaining unsettled balances.

Included in the Group's trade receivables were carrying amounts of approximately S$60,819 which were past due at 31 December 2017, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on repayment history of respective customer. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired as at reporting date:

	As at 31 December 2017
	S$
Less than 60 days	38,974
61 to 90 days	428
91 to 180 days	—
More than 180 days	21,417
	60,819

There was no allowance for doubtful debts as at 31 December 2017.

Starting from 1 January 2018, the Group applied simplified approach to provide the expected credit losses prescribed by IFRS 9.

As part of the Group's credit risk management, the Group assesses the impairment for its customers based on different group of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

Aging of trade receivables that are past due but not impaired at reporting date:

	As at 31 December 2018
	S$
Less than 60 days	**426,486**
61 to 90 days	**—**
91 to 180 days	**—**
More than 180 days	**—**
	426,486

The directors of the Company considered that the ECL for trade receivables is insignificant as at 31 December 2018.

11 CONTRACT ASSETS/LIABILITIES

The following is the analysis of the contract assets and contract liabilities:

	As at 31 December	
	2018	2017
	S$	*S$*
Contract asset	**15,105,683**	17,286,022
Contract liability	**(2,107,036)**	(233,184)

Contract assets and contract liabilities arising from same contract are presented on net basis.

Contract assets

Amounts represent the Group's rights to considerations from customers for the provision of construction services, which arise when: (i) the Group completed the relevant services under such contracts; and (ii) the customers withhold certain amounts payable to the Group as retention money to secure the due performance of the contracts for a period of generally 12 months (defect liability period) after completion of the relevant works. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customer.

The Group's contract assets are analysed as follows:

	As at 31 December	
	2018	2017
	S$	*S$*
		(Restated)
Construction contracts — current		
Retention receivables	**3,291,969**	5,900,980
Others*	**11,813,714**	11,385,042
	15,105,683	17,286,022

* Included in others is the revenue not yet been billed to the customers which the Group have completed the relevant services under such contracts but yet certified by representatives appointed by the customers.

Changes of contract assets were mainly due to: (1) the amount of retention receivables in accordance with the number of ongoing and completed contracts under the defect liability period; and (2) in the size and number of contract works that the relevant services were completed but yet certified by representatives appointed by the customers at the end of each reporting period.

The Group's contract assets are the retention receivables to be settled, based on the expiry of the defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, at the end of the reporting period. The balance are classified as current as they are expected to be received within the Group's normal operating cycle of approximately twelve months.

The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets. Based on the management's assessment, it is considered that the ECL for contract assets is insignificant as at 31 December 2018.

There were provisions made for contract losses amounting to S$63,103 recorded in the current year (2017: S$Nil).

Contract liabilities

The contract liabilities represents the Group's obligation to transfer services to customers for which the Group has received consideration (or an amount of consideration is due) from the customers.

The Group's contract liabilities are analysed as follows:

	As at 31 December	
	2018	2017
	S$	*S$*
		(Restated)
Construction contracts — current	**(2,107,036)**	(233,184)

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities:

	As at 31 December	
	2018	2017
	S$	*S$*
		(Restated)
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**233,184**	7,128,022

None of the revenue recognised during the year relates to performance obligation that were satisfied in prior periods.

12 TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	S$	*S$*
Trade payables	**9,587,994**	5,318,008
Trade accruals	**17,468,545**	20,889,813
	27,056,539	26,207,821
Accrued operating expenses	**344,162**	253,271
Other payables		
GST payable	**10,236**	5,246
Interest payable	**18,305**	—
Accrued payroll costs	**2,109,456**	2,343,283
Payable for acquisition of properties	**753,437**	941,796
	30,292,135	29,751,417

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 December	
	2018	2017
	S$	*S$*
Within 90 days	**9,527,139**	5,007,693
91 to 180 days	**34,146**	268,313
181 days to 365 days	**26,709**	13,133
Over 1 year but not more than 2 years	**—**	28,869
	9,587,994	5,318,008

The credit period on purchases from suppliers and subcontractors is between 30 to 60 days (2017: 30 to 60 days) or payable upon delivery.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged as a main contractor in the provision of building and construction works in Singapore. The Group is also specialised in reinforcement concrete works which it has undertaken on a selected basis in the subcontractor projects.

With more than fifteen years of experience in the construction industry in Singapore, the Group continues to strive for delivering high quality building services. In 2018, the Company maintained its strategy of focusing on public sector projects which generally have prompt payments. Hence, approximately 67% of our revenue was derived from public sector projects. This allows us to maintain a healthy receivable turnover day as at 31 December 2018 of 11 days.

FINANCIAL REVIEW

The Group's revenue for the year was approximately S$110.0 million, representing a decline of 23.6% as compared with that of approximately S$144.0 million for the previous year. The decrease in revenue is due to a lower building and construction works activity level as compared to the previous year. In addition, certain ongoing projects brought forward from previous years were already nearing completion, and only a small portion of the remaining contract sum was recognised in 2018. These factors contributed towards overall decrease of approximately S$34.0 million in revenue in 2018 as compared to 2017.

As a result of having lower profit margin projects in 2018, gross profit for the year decreased by approximately S$8.1 million to approximately S$6.3 million (2017: approximately S$14.4 million), and the gross profit margin decreased to approximately 5.7% (2017: approximately 10.0%).

Other income decreased by approximately S$0.07 million or 10.8% from approximately S$0.62 million to approximately S$0.55 million for the year ended 31 December 2018 due to lower government grants received from the Singapore government.

The Group's income tax expenses decreased by approximately S$1.7 million from approximately S$2.2 million to approximately S$0.5 million for the year ended 31 December 2018. The decrease was primarily due to decrease in the profit before taxation.

As a result of the aforementioned, for the year ended 31 December 2018, profit after taxation decreased from approximately S$6.2 million to approximately S$3.1 million.

Profit attributable to owners of the Company has decreased from approximately S$5.2 million to approximately S$3.1 million owing to lower profit after taxation. For the year ended 31 December 2018, non-controlling interest is nil (2017: approximately S$1.0 million).

USE OF NET PROCEEDS FROM THE LISTING

The Shares were listed on the Stock Exchange on the 12 September 2017 with net proceeds from the listing of approximately HK$72.7 million. The following is a comparison between the Group's business plans as set out in the Prospectus and the Group's actual business progress for the year ended 31 December 2018:

Business plan as set out in the prospectus	Actual business progress as at 31 December 2018
Purchase equipment and machineries to strengthen market position	The Group is delayed in using proceeds for such purpose due to fewer projects awarded in 2018 and less equipment and machineries were required for the Group's building work.
Initial capital contribution required for larger value projects	The Group is delayed in using proceeds for such purpose due to fewer larger value projects awarded in 2018.
Expand and enhance workforce to support business expansion	The expansion, enhancement of workforce was at a slower pace due to a lower building and construction works activity level in 2018 as compared to the previous year.
Recruit new staff and train existing staff to improve productivity via investment in BIM and ERP	The recruitment of new staff and training of existing staff has been slow down during the year ended 31 December 2018 due to fewer projects were awarded to the Group in 2018 compared to the previous year.
Working capital	The Group had fully utilized $3.5 million for working capital.

The use of the net proceeds from the Listing as at 31 December 2018 was approximately as follows:

Use of net proceeds	**Net proceeds** *(in HK$ million)*	**Amount utilised up to 31 December 2018** *(in HK$ million)*	**Amount remaining as at 31 December 2018** *(in HK$ million)*
— Purchase equipment and machineries to strengthen market position	29.1	4.9	24.2
— Initial capital contribution required for larger value projects	19.6	9.2	10.4
— Expand and enhance workforce to support business expansion	13	5.8	7.2
— Recruit new staff and train existing staff to improve productivity via investment in BIM and ERP	7.5	3.1	4.4
— Working capital	3.5	3.5	0
Total	72.7	26.5	46.2

The unused net proceeds are deposit into licensed banks in Hong Kong and Singapore.

PROSPECTS

The Group continues to focus on strengthening its market position for the building construction works in Singapore. In the first half of 2019, it is expected that there will be no material adverse change in the general economic and market conditions in Singapore or the industry in which it operates that had affected or would affect the business operations or financial condition materially and adversely.

The Company expects to:

(a) expand the Group's business and strengthen the Group's market position in the construction industry in Singapore;

(b) pursue higher value contracts;

(c) enhance and expand the Group's workforce to keep up with the Group's business expansion; and

(d) improve productivity with investments in BIM and ERP software.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had provided performance bonds in favour of the customers amounting to approximately S$20.8 million (2017: approximately S$27.5 million).

CAPITAL COMMITMENTS

As at 31 December 2018, the Group had no commitment in respect of an acquisition of property, plant and equipment (2017: approximately S$0.5 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's receivable turnover days as at 31 December 2018 was 11 days, being same as that at 31 December 2017. The Group is able to maintain its receivable turnover days as revenue from public sector projects still contributes a significant amount of the total revenue. Thus, the Group is able to collect its payments promptly.

The Group's cash and cash equivalents balance as at 31 December 2018 amounted to approximately S$32.3 million, representing an increase of approximately S$0.1 million as compared to approximately S$32.2 million as at 31 December 2017.

As at 31 December 2018, the Group's indebtedness comprised bank borrowings of approximately S$16.3 million. As at 31 December 2018, the gearing ratio (calculated by dividing total debts by equity attributable to owners of the Company) of the Group was 0.38 times as compared to 0.16 times as at 31 December 2017.

The Group's equity balance increased to approximately S$42.5 million as at 31 December 2018 from that of approximately S$39.0 million as at 31 December 2017, which was attributable to the profit for the year.

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

The Group transacts mainly in Singapore dollars, which is the functional currency of all the Group's operating subsidiaries. However, the Group has certain bank balances denominated in US$ and retains some proceeds from the Listing in Hong Kong dollars amounting to S$14.4 million which expose the Group to foreign currency risk. The Group manages the risk by closely monitoring the movement of the foreign currency rate.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 361 employees as at 31 December 2018 (as at 31 December 2017: 347 employees). Remuneration is determined by reference to prevailing market terms and in accordance with the job scope, responsibilities, and performance of each individual employee. The local employees are also entitled to discretionary bonus depending on their respective performance and the profitability of the Group. The foreign workers are typically employed on a one-year basis depending on the period of their work permits, and are subject to renewal based on their performance, and are remunerated according to their work skills.

The Company has adopted a share option scheme pursuant to which the directors and employees of the Group are entitled to participate. Since the adoption of the Share Option Scheme, no option has been granted under the Share Option Scheme. Therefore, no option was exercised or cancelled or has lapsed during the year ended 31 December 2018 and there was no outstanding option as at 31 December 2018.

CHARGES OF ASSETS

As at 31 December 2018 and 2017, a loan was secured against freehold properties and investment properties with carrying amount of approximately S$9.2 million (2017: S$9.5 million).

As at 31 December 2018, a loan was secured by mortgage over the Group's leasehold land and buildings, which had a carrying amount of approximately S$22.2 million.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2018.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2018, the Group did not hold any significant investment.

DIVIDEND

The Board takes into account, among other factors, the Group's overall results of operation, financial position and capital requirements, in considering the declaration of dividends. The Board does not recommend the payment of a dividend for the year ended 31 December 2018 (Previous year: nil).

CORPORATE GOVERNANCE

BHCC Holding Limited is committed to fulfilling its responsibilities to its shareholders (the "Shareholders") of the Company and protecting and enhancing Shareholders' value through good corporate governance.

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

The Company has adopted the corporate governance code (the "CG Code") contained in Appendix 14 of the Listing Rules, and has complied with all applicable code provisions as set out in the CG Code during the year ended 31 December 2018.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules as its own code of conduct governing the securities transactions by the Directors. Following a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the Model Code during the year ended 31 December 2018.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee (the "Audit Committee") of the Company was established on 17 August 2017 with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee are published on the respective websites of the Stock Exchange and the Company. It comprises three independent non-executive directors, namely Ms. Chan Bee Leng, Ms. Li Xueling, Sharlene and Mr. Ooi Soo Liat. Ms. Chan Bee Leng is the chairwoman of the Audit Committee.

The Audit Committee had reviewed the Group's annual results and consolidated financial statements for the year ended 31 December 2018. The Audit Committee is of the view that the consolidated financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory provisions, and sufficient disclosures have already been made.

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Vinco Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 25 August 2017, the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct governing the Directors' securities transactions. All the Directors have confirmed, upon specific enquiries made by the Company, that they have complied with the Model Code during the period from the Listing Date and up to the date of this announcement.

SCOPE OF WORK OF EXTERNAL AUDITOR

The financial figures in this announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's external auditor, Deloitte & Touche LLP ("DTT"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by DTT in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by DTT on this announcement.

REVIEW OF 2018 CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee (AC) reviewed the 2018 Consolidated Financial Statements in conjunction with the Group's external auditor. Based on this review and discussions with management, the AC was satisfied that the Consolidated Financial Statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended 31 December 2018.

EVENTS AFTER THE REPORTING PERIOD

The Directors confirmed that there are no significant events after the reporting period.

APPRECIATION

The Board would like to take this opportunity to express its sincere gratitude to the management team and staff for their hard work and contributions, and to the shareholders, investors and business partners for their trust and support.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement of the Company is published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.bhcc.com.sg). The annual report of the Company for the year ended 31 December 2018 containing all the relevant information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
BHCC Holding Limited
Yang Xinping
Chairman

Hong Kong, 29 March 2019

As at the date of this announcement, the Board comprises Mr. Yang Xinping and Ms. Han Yuying as executive Directors; and Ms. Chan Bee Leng, Ms. Li Xueling, Sharlene and Mr. Ooi Soo Liat as independent non-executive Directors.