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BHCC Holding Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1552)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of BHCC Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces the audited consolidated results of the Group for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

		2020	2019
	<i>Note</i>	S\$	S\$
Revenue	3	124,324,257	122,555,657
Cost of services		<u>(120,499,897)</u>	<u>(118,268,710)</u>
Gross profit		3,824,360	4,286,947
Other income	<i>4a</i>	3,637,937	228,111
Other gains and losses	<i>4b</i>	102,250	(116,718)
Other expenses	<i>4c</i>	(182,831)	—
Selling expenses		(47,551)	(55,919)
Administrative expenses		(3,468,141)	(3,204,884)
Finance costs	5	<u>(544,128)</u>	<u>(601,288)</u>
Profit before taxation		3,321,896	536,249
Income tax expense	6	<u>(542,288)</u>	<u>(481,660)</u>
Profit and total comprehensive income for the year	7	<u>2,779,608</u>	<u>54,589</u>
Basic and diluted earnings per share (S\$ cents)	8	<u>0.35</u>	<u>0.01</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Note</i>	2020 S\$	2019 S\$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		15,633,419	16,951,358
Intangible asset		175,000	175,000
Investment properties		16,926,958	17,659,626
Right-of-use assets		403,078	189,609
Deposits		748,696	700,000
Pledged deposits for performance bond		—	988,770
Other assets		291,745	213,918
		34,178,896	36,878,281
Current assets			
Trade receivables	9	4,082,455	7,106,628
Other receivables and deposits		4,623,799	2,541,535
Other assets		158,389	148,759
Contract assets	10	33,251,977	25,151,638
Amounts due from related companies		280,866	—
Amount due from shareholders		182	182
Bank balances and cash		34,465,110	27,157,425
Investments	11	10,005,169	—
		86,867,947	62,106,167
Current liabilities			
Trade and other payables	12	(50,001,193)	(34,692,192)
Contract liabilities	10	(81,131)	—
Amount due to related companies		(11,341)	—
Lease liabilities		(187,158)	(135,106)
Borrowings		(1,596,330)	(1,337,171)
Income tax payable		(548,926)	(543,747)
		(52,426,079)	(36,708,216)
Net current assets		34,441,868	25,397,951
Total assets less current liabilities		68,620,764	62,276,232

	<i>Note</i>	2020 S\$	2019 S\$
Non-current liabilities			
Deposits	12	(86,150)	(192,877)
Lease liabilities		(201,589)	(32,740)
Borrowings		(22,920,007)	(19,399,347)
Deferred tax liabilities		(122,533)	(140,391)
		<u>(23,330,279)</u>	<u>(19,765,355)</u>
Net assets		<u>45,290,485</u>	<u>42,510,877</u>
EQUITY			
Capital and reserves			
Share capital		1,389,830	1,389,830
Reserves		<u>43,900,655</u>	<u>41,121,047</u>
Equity attributable to owners of the Company		<u>45,290,485</u>	<u>42,510,877</u>

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 the address of 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 Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the “**Companies Ordinance**”) on 20 March 2017 and the registered principal place of business in Hong Kong is 19th Floor, Prosperity Tower, 39 Queen’s Road Central, Central, Hong Kong. The head office and principal place of business of the Company is at 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 Developments 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 (“**Building and Construction works**”) and properties investment including the leasing of industrial properties (“**Property Investment**”).

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 31 March 2021.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

New and amended IFRSs that are effective for the current year

In the current year, the Group has applied the amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In the current financial year, the Group has considered the application of the amendment to IFRS 16 (as issued by the International Accounting Standards Board (“IASB”) in May 2020) in advance of its effective date.

As the Group is not a lessee of any assets to qualify for such rent concessions, the application of the amendment to IFRS 16 did not have any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

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:

Amendments to IFRS 3	Reference to Conceptual Framework ¹
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018–2020 ¹
Amendments to IAS 37	Onerous contracts — Cost of Fulfilling a Contract ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to IAS 8	Definition of Accounting Estimates ²

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

The directors of the Company anticipate that the application of the new and amendments to IFRSs will have no material impact on the consolidated financial position and performance as well as disclosure.

3 REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from the provision of Building and Construction works by the Group to external customers, and Property Investment, being rental income from investment properties held by the Group.

During the year ended 31 December 2020, the Group was awarded two projects to design, build and operate temporary dormitories to accommodate foreign workers for COVID-19 safe-distancing, and upon the Singapore government's instructions, will be demolished when no longer required.

As at 31 December 2020, the Group has been engaged by the Singapore government to operate one completed dormitory for a period of one year, with the option to extend at the discretion of the government. The Group will maintain and operate the dormitory, and bear all expenditure. The Group will co-share 50% of any profits with the government, while any net loss will be borne by the Group.

The 'design and build' portion of the projects as main contractor have been recognised under Building and Construction works segment, while the related bed rental revenue from operation of dormitories have been recognised under a separate segment, 'Operation of Temporary Dormitories'.

(i) Disaggregation of revenue from contracts with customers and leases

	2020 S\$	2019 S\$
Types of services		
Building and Construction works		
— Main Contractor Projects	115,465,601	88,400,692
— Subcontractor Projects	<u>6,935,434</u>	<u>33,388,235</u>
Revenue from contracts with customers	122,401,035	121,788,927
Rental from Property Investment	1,523,506	766,730
Revenue from Operation of Temporary Dormitories	<u>399,716</u>	<u>—</u>
Segment revenue (<i>Note 3(iv)</i>)	<u><u>124,324,257</u></u>	<u><u>122,555,657</u></u>
Timing of revenue recognition		
Over time	<u><u>124,324,257</u></u>	<u><u>122,555,657</u></u>

(ii) Performance obligations for contracts with customers

The Group derives its revenue from provision of Building and Construction works over time.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied as at the end of each reporting period:

	2020 S\$	2019 S\$
Main Contractor Projects		
— Within one year	130,513,531	113,429,532
— More than one year but not more than two years	66,148,899	135,389,391
— More than two years but not more than five years	42,291,979	37,295,773
	<u>238,954,409</u>	<u>286,114,696</u>
Subcontractor Projects		
— Within one year	6,823,224	2,823,097
— More than one year but not more than two years	—	342,297
— More than two years but not more than five years	—	296,657
	<u>6,823,224</u>	<u>3,462,051</u>
	<u><u>245,777,633</u></u>	<u><u>289,576,747</u></u>

During the year, majority of the construction contracts for services provided to external customers last over 12 months (2019: over 12 months).

(iv) Segment information

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 CODMs review segment revenue and results attributable to each segment, which is measured by reference to the respective segments’ gross profit. The Group has three operating segments as follows:

- Building and Construction works: Engage in provision of building and construction works via main contractor and subcontractor projects to public and private sectors.
- Property Investment: Leasing of industrial properties.
- Operation of Temporary Dormitories: Bed leasing of dormitories.

No analysis of the Group’s assets and liabilities is regularly provided to the CODMs for review.

	2020 S\$	2019 S\$
Segment revenues		
Building and Construction works	122,401,035	121,788,927
Property Investment	1,523,506	766,730
Operation of Temporary Dormitories	399,716	—
	<u>124,324,257</u>	<u>122,555,657</u>
Segment results		
Building and Construction works	3,255,168	4,380,043
Property Investment	534,382	(93,096)
Operation of Temporary Dormitories	34,810	—
	<u>3,824,360</u>	<u>4,286,947</u>

	2020	2019
	S\$	S\$
Unallocated:		
Other income	3,637,937	228,111
Other gains and losses	102,250	(116,718)
Other expenses	(182,831)	—
Selling expenses	(47,551)	(55,919)
Administrative expenses	(3,468,141)	(3,204,884)
Finance costs	(544,128)	(601,288)
	<u>3,321,896</u>	<u>536,249</u>
Profit before taxation	<u>3,321,896</u>	<u>536,249</u>

The accounting policies for segment information are the same as the Group's accounting policies.

(v) 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.

(vi) Information about major customers

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

	2020	2019
	S\$	S\$
Customer A	88,248,069	68,778,382
Customer B	—	26,277,904
Customer C	15,208,021	—
Customer D	<u>12,367,049</u>	<u>—</u>

Revenue from customers A to D above are from segment of Building and Construction works.

4a. OTHER INCOME

	2020 S\$	2019 S\$
Government grants (<i>Note</i>)	3,443,374	31,381
Service income on secondment of labour and subcontracting fee, net	48,641	2,941
Interest income	101,950	162,139
Others	43,972	31,650
	<u>3,637,937</u>	<u>228,111</u>

Note: Government grants in 2020 mainly include COVID-19-related support by the Singapore government to help companies tide through this period of economic uncertainty, such as the Foreign Worker Levy (“FWL”) rebates, the Jobs Support Scheme (“JSS”), COVID-Safe project-based and firm-based supports, property tax rebates, and additional cash grants. Under the JSS, the government will co-fund between 10% to 75% of the first S\$4,600 of gross monthly wages paid to each local employee in a twenty-month period through cash subsidies.

While those mentioned above were recognised as grant income, FWL waivers obtained of approximately S\$1.3 million were offset against related FWL expenses in cost of services.

Government grants received during the financial year ended 31 December 2019 mainly include the Wage Credit Scheme (“WCS”) and Government-Paid Childcare Leave (“GPCL”).

All government grants received are incentives as compensation of expenses or losses already incurred or as immediate financial support to the Company with no future related costs and no relation to any assets received upon fulfilling the conditions attached to them.

b. OTHER GAINS AND LOSSES

	2020	2019
	S\$	S\$
Gain (Loss) arising on disposal of property, plant and equipment	7,246	(8)
Fair value gain on investments in money market fund	5,169	—
Exchange loss, realised	(24,952)	—
Exchange gain (loss), unrealised	114,787	(116,710)
	<u>102,250</u>	<u>(116,718)</u>

c. OTHER EXPENSES

	2020	2019
	S\$	S\$
Grant expenses	<u>182,831</u>	<u>—</u>

Grant expenses relate to COVID-19-related rental reliefs provided to the Group's qualifying end tenants under the Rental Relief Framework as mandated by the Singapore government as part of its efforts to help companies tide through this period of economic uncertainty.

5 FINANCE COSTS

	2020	2019
	S\$	S\$
Interest on:		
Borrowings	534,084	590,729
Lease liabilities	10,044	10,559
	<u>544,128</u>	<u>601,288</u>

6 INCOME TAX EXPENSE

	2020 S\$	2019 S\$
Tax expense comprises:		
Current tax		
— Singapore corporate income tax (“CIT”)	541,385	543,747
— Underprovision of current tax in prior year	18,761	18,989
Deferred tax		
— Current year	(65,858)	(81,076)
— Underprovision of deferred tax in prior year	48,000	—
	<u>542,288</u>	<u>481,660</u>

Singapore CIT is calculated at 17% of the estimated assessable profit eligible for CIT rebate of 25%, capped at S\$15,000 for the Year of Assessment 2020. 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\$190,000 of normal chargeable income, for both the Years of Assessment 2020 and 2021.

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:

	2020 S\$	2019 S\$
Profit before taxation	<u>3,321,896</u>	<u>536,249</u>
Tax at applicable tax rate of 17%	564,722	91,162
Effect of different tax rate of the Company operating in other jurisdiction	60,110	45,623
Tax effect of expenses not deductible for tax purpose	341,798	378,776
Effect of income that is exempt from taxation	(411,273)	—
Effect of tax concessions and partial tax exemptions	(52,275)	(52,621)
Underprovision of current and deferred tax in prior years	66,761	18,989
Effect of previously unrecognised and unused tax losses, now utilised	(34,180)	—
Others	<u>6,625</u>	<u>(269)</u>
Taxation for the year	<u>542,288</u>	<u>481,660</u>

7 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2020 S\$	2019 S\$
Depreciation of property, plant and equipment (Note a)	1,605,154	1,663,467
Depreciation of investment properties (Note a)	732,668	496,069
Depreciation of right-of-use assets (Note a)	351,217	353,085
Audit fees to auditors of the Company:		
— Annual audit fees	200,000	165,000
Non-audit fees to auditors of the Company	10,000	—
Non-audit fees to other auditors of the Company	7,500	—
Directors' remuneration	1,508,652	1,150,140
Other staff costs:		
— Salaries and other benefits	8,416,462	10,376,126
— Contributions to CPF	514,731	509,826
Total staff costs (Note b)	10,439,845	12,036,092
Cost of materials recognised as cost of services	18,639,007	26,963,006
Subcontractor costs recognised as cost of services	80,003,764	60,003,708

Notes:

- Depreciation of S\$1,787,323 (2019: S\$1,728,797) are included in cost of services.
- Staff costs of S\$9,152,554 (2019: S\$11,057,625) are included in cost of services.

8. EARNINGS PER SHARE

	2020	2019
Profit attributable to the owners of the Company (S\$)	2,779,608	54,589
Weighted average number of ordinary shares in issue	800,000,000	800,000,000
Basic and diluted earnings per share (S\$ cents)	0.35	0.01

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 2020 and 2019.

9 TRADE RECEIVABLES

	2020 S\$	2019 S\$
Trade receivables	3,808,577	6,111,064
Unbilled revenue (<i>Note a</i>)	<u>273,878</u>	<u>995,564</u>
	<u>4,082,455</u>	<u>7,106,628</u>

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.

As at 1 January 2019, trade receivables from contracts with customers amounted to S\$5,641,686.

The Group grants credit terms to customers typically between 0 to 45 days (2019: 0 to 45 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:

	2020 S\$	2019 S\$
Within 60 days	3,551,723	5,963,584
61 days to 90 days	—	—
91 days to 180 days	41,856	112,384
181 days to 365 days	179,902	35,096
Above 365 days	<u>35,096</u>	<u>—</u>
	<u>3,808,577</u>	<u>6,111,064</u>

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 periodically.

The Group applies the 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 that 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:

	2020	2019
	S\$	S\$
Less than 60 days	110,326	49,151
61 to 90 days	—	—
91 to 180 days	41,856	147,480
Above 180 days	214,998	—
	<u>367,180</u>	<u>196,631</u>

The directors of the Company considered that the expected credit loss for trade receivables is insignificant as at 31 December 2020 and 2019.

10 CONTRACT ASSETS/LIABILITIES

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

	2020	2019
	S\$	S\$
Contract assets	33,251,977	25,151,638
Contract liabilities	(81,131)	—
	<u>33,170,846</u>	<u>25,151,638</u>

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

As at 1 January 2019, contract assets amounted to S\$15,105,683 and contract liabilities amounted to S\$2,107,036.

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:

	2020 S\$	2019 S\$
Construction contracts — current		
Retention receivables	3,341,137	3,195,472
Others*	29,910,840	21,956,166
	<u>33,251,977</u>	<u>25,151,638</u>

* 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.

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 expected credit loss for contract assets is insignificant as at 31 December 2020 and 2019.

There were provisions made for contract losses amounting to S\$28,449 recorded during the year ended 31 December 2020 (2019: 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:

	2020 S\$	2019 S\$
Construction contracts — current	<u>(81,131)</u>	<u>—</u>

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

	2020 S\$	2019 S\$
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>—</u>	<u>2,107,036</u>

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

11. INVESTMENTS

	2020 S\$	2019 S\$
<i>Financial assets mandatorily measured at FVTPL:</i>		
Money market fund in S\$	<u>10,005,169</u>	<u>—</u>

The Group invested in 9,752,577 units of a S\$ money market fund as a tool to earn higher returns on its bank balances as compared to short-term time deposits. The money market fund invests in highly liquid and short-term investments, intended to offer investors a relatively low-risk investment option with a return comparable to that of S\$ short-term deposits. With no fixed maturity, this net asset value (NAV) fund has no restrictions on redemption (i.e. the investment can be realised at any time with proceeds calculated at the then-NAV per unit).

Money market fund investments are classified as FVTPL and any gain or loss component is included in the fair value movement recognised in profit or loss. For the year ended 31 December 2020, a gain of S\$5,169 (Note 4b) has been recognised in profit or loss.

12 TRADE AND OTHER PAYABLES

	2020 S\$	2019 S\$
Current		
Trade payables	23,408,300	9,099,947
Trade accruals	<u>23,442,496</u>	<u>21,595,232</u>
	46,850,796	30,695,179
Accrued operating expenses	227,563	286,796
Other payables:		
GST payable	200,161	1,030,560
Interest payable	17,155	32,654
Accrued payroll costs	1,816,820	2,397,598
Deferred grant income (<i>Note</i>)	241,695	—
Deposits	521,765	62,322
Others	<u>125,238</u>	<u>187,083</u>
	<u>50,001,193</u>	<u>34,692,192</u>
Non-current		
Deposits	<u>86,150</u>	<u>192,877</u>

Note: During the year ended 31 December 2020, the Group received government grants of S\$983,793 in cash in connection with JSS for the purpose of retaining local employees during the period of economic uncertainty as explained in Note 4a. As at 31 December 2020, grant receivables of S\$319,519 have been recognised as there is reasonable assurance that the conditions attached to the grants have been fulfilled under the JSS.

The grants relating to the relevant staff costs are recognised in other income over the period necessary to match them with the costs that the grants are intended to compensate. This scheme has resulted in a credit to income in the year ended 31 December 2020 of S\$1,061,617. As at 31 December 2020, an amount of S\$241,695 remains to be deferred.

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

	2020	2019
	S\$	S\$
Within 90 days	19,867,156	8,685,458
91 to 180 days	3,323,400	343,530
181 days to 365 days	148,072	43,107
Over 1 year but not more than 2 years	66,205	26,266
More 2 years	3,467	1,586
	<u>23,408,300</u>	<u>9,099,947</u>

The credit period on purchases from suppliers and subcontractors is between 30 to 60 days (2019: 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 and properties investment including the leasing of industrial properties in Singapore. The Group is also specialised in reinforcement concrete works which it has undertaken on a selected basis in the subcontractor projects.

The outbreak of COVID-19 in early 2020 has caused disruptions to many industries globally. Despite the challenges, governments and internal organisations have implemented a series of measures to contain the pandemic. The Singapore government has implemented several phases of circuit breaker and post-circuit breaker recovery measures in order to contain the pandemic, and the Group's existing core business was significantly impacted by these measures, especially due to the halting of almost all its building and construction works since early April 2020.

The Group however does not expect to incur hefty penalties for contract delays in the form of liquidated damages as the Group is mostly involved in public sector projects, and most contracts have either been extended or include clauses for unforeseen events and circumstances. The Group has also received certain grants and assistance from the Singapore government to help offset some of its fixed costs during this time, primarily relating to its employee wages, foreign worker levies, and some project-based support. The Group has insofar adhered to all the requirements set out by the Singapore government, particularly relating to its business operations and in dealing with its foreign workers affected by the dormitory isolations and stay-home notices. The consolidated financial statements for the year ended 31 December 2020 has included the financial effects as a result of the COVID-19 outbreak up to 31 December 2020.

As of the date of the Board meeting to approve these consolidated financial statements, all of the Group's building and construction works have resumed, albeit at a reduced capacity as compared to pre-pandemic times due to additional safe distancing measures that will be applied at project sites to prevent a resurgence of the pandemic.

In August 2020, the Group was engaged by the Singapore Government to design and build foreign workers' temporary dormitories for COVID-19 safe-distancing purposes. This is the main reason that in spite of the disruptions caused by COVID-19, the Group's construction revenue increased by approximately S\$0.6 million for the year ended 31 December 2020 as compared to the previous year.

The Group will closely monitor the development of the pandemic and assess its impact on its operations continuously. Given the unpredictability associated with the COVID-19 outbreak and any further contingency measures that may be put in place by the relevant governments and corporate entities, the actual financial impact of the COVID-19 outbreak on the Group's 2021 consolidated financial statements could be significantly different from estimates depending on how the situation evolves. Notwithstanding, the Group will have sufficient liquidity to enable the Company to continue as a going concern for at least the next 12 months from the end of the reporting period.

FINANCIAL REVIEW

The Group's revenue for the year was approximately S\$124.3 million, representing a growth of 1.4% as compared with that of approximately S\$122.6 million for the previous year. The increase was mainly attributable to the growth in both building and construction works and rental income from property investment segments. Revenue from building and construction works, the Group's major business segment, accounted for approximately 98.5% (2019: approximately 99.4%) or S\$122.4 million (2019: approximately S\$121.8 million) of the Group's total revenue. Revenue from property investment contributed approximately 1.2% (2019: approximately 0.6%) or S\$1.5 million (2019: approximately S\$0.8 million). Revenue from operation of temporary dormitories contributed approximately 0.3% (2019: Nil) or S\$0.4 million (2019: Nil). Details of the operation of temporary dormitories are included in Note 3 to the consolidated financial statements.

Total gross profit for the year decreased by approximately S\$0.5 million to approximately S\$3.8 million (2019: approximately S\$4.3 million), and the gross profit margin decreased to approximately 3.1% (2019: approximately 3.5%). Gross profit from building and construction works for the year was approximately S\$3.3 million, representing a decrease of approximately 25.7% as compared to approximately S\$4.4 million for the previous year. The decrease was primarily attributable to labour cost incurred after the outbreak of COVID-19. Although construction activities were suspended, our workers were still being paid minimum wages during the circuit breaker period.

Other income increased by approximately S\$3.4 million or 1,494.8% from approximately S\$0.2 million to approximately S\$3.6 million for the year ended 31 December 2020 due to the increase in the government grants received from Singapore Government to assist businesses in tiding through this period of economic uncertainty.

The Group has recorded an increase in other gains and losses from a loss of approximately S\$0.1 million in the year ended 31 December 2019 to a gain of approximately S\$0.1 million in the year ended 31 December 2020, which is mainly attributable to foreign exchange gain.

For the year ended 31 December 2020, administrative expenses increased by approximately S\$0.3 million or 8.2%, from approximately S\$3.2 million for the year ended 31 December 2019 to approximately S\$3.5 million.

For the year ended 31 December 2020, the Group's finance costs decreased to approximately S\$0.5 million (2019: approximately S\$0.6 million) mainly as a result of the decrease in average interest rates.

The Group's income tax expenses remained relatively stable at approximately S\$0.5 million for the years ended 31 December 2020 and 2019.

As a result of the aforementioned, for the year ended 31 December 2020, profit after taxation, representing profit attributable to owners of the Company increased from approximately S\$0.05 million to approximately S\$2.8 million.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had provided performance bonds and security bonds for foreign workers in favour of the customers amounting to approximately S\$37.9 million (2019: approximately S\$36.3 million).

CAPITAL COMMITMENTS

As at 31 December 2020 and 2019, the Group had no commitment in respect of an acquisition of property, plant and equipment.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's receivable turnover days as at 31 December 2020 was 16 days (2019: 19 days). The Group is able to maintain its receivable turnover days as a significant portion of revenue was generated from customers in public sectors, who make payments promptly.

The Group's cash and cash equivalents balance as at 31 December 2020 amounted to approximately S\$34.5 million, representing an increase of approximately S\$7.3 million as compared to approximately S\$27.2 million as at 31 December 2019.

As at 31 December 2020, the Group's indebtedness comprised bank borrowings of approximately S\$24.4 million (2019: S\$20.7 million) and hire purchases of S\$0.1 million (2019: Nil). As at 31 December 2020, the gearing ratio (calculated by dividing total debts by equity attributable to owners of the Company) of the Group was 0.54 times as compared to 0.49 times as at 31 December 2019.

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 United States dollars and Hong Kong dollars amounting to S\$9.1 million (2019: S\$14.6 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 322 employees as at 31 December 2020 (as at 31 December 2019: 349 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 (the “**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 2020 and there was no outstanding option as at 31 December 2020.

CHARGES OF ASSETS

As at 31 December 2020, the carrying amount of investment properties, and leasehold land and property, amounting to approximately S\$31.0 million (2019: S\$32.6 million) were pledged to banks to secure bank borrowings.

In February 2021, bank borrowings amounting to S\$6.2 million was fully redeemed. Investment properties with carrying amount of S\$8.7 million as at 31 December 2020 were released from the charges.

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 2020.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2020, the Group had investments in a Singapore dollar money market fund of approximately S\$10 million as compared to nil as at 31 December 2019.

PROSPECTS

Since the end of the third quarter of 2020, Singapore's economy has started to improve progressively with the phased resumption of activities. Given the improved growth outlook for key external economies, as well as a further easing of global and domestic public health measures with the availability of vaccines, the Singapore construction market is projected to return to growth in 2021, especially with public sector demand.

Despite the difficulties lying ahead, the Group believes that with its healthy project order books, the Group will be able to continue building on its competitive strengths and devise plans to achieve its long-term business objectives.

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.

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 2020 (2019: 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 Rules (the “**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange, and has complied with all applicable code provisions as set out in the CG Code during the year ended 31 December 2020.

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 2020.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2020, 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, Mr. Kwong Choong Kuen (Huang Zhongquan) 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 2020 with the Group's external auditor. Based on the review and discussions with management, 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, sufficient disclosures have been made and fairly present the Group's financial position and results for the year ended 31 December 2020.

EVENTS AFTER THE REPORTING PERIOD

In February 2021, bank borrowings amounting to S\$6.2 million was fully redeemed. Investment properties with carrying amount of S\$8.7 million as at 31 December 2020 were released from the charges.

Save as disclosed above, 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 2020 containing all the relevant information required by the Listing Rules will be dispatched to the Shareholders 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

Singapore, 31 March 2021

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, Mr. Kwong Choong Kuen (Huang Zhongquan) and Mr. Ooi Soo Liat as independent non-executive Directors.