# BHCC HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1552

ANNUAL REPORT 2017

# CONTENT

# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS
Mr. Yang Xinping
Ms. Han Yuying

## INDEPENDENT NON-EXECUTIVE DIRECTORS
Ms. Chan Bee Leng
Ms. Li Xueling, Sharlene
Mr. Ooi Soo Liat

## COMPANY SECRETARY
Ms. Chan So Fun
*Solicitor, Hong Kong*

## AUTHORISED REPRESENTATIVES
Ms. Chan So Fun
Mr. Yang Xinping

## AUDIT COMMITTEE
Ms. Chan Bee Leng *(Chairwoman)*
Mr. Ooi Soo Liat
Ms. Li Xueling, Sharlene

## REMUNERATION COMMITTEE
Mr. Ooi Soo Liat *(Chairman)*
Ms. Chan Bee Leng
Ms. Li Xueling, Sharlene
Ms. Han Yuying

## NOMINATION COMMITTEE
Ms. Li Xueling, Sharlene *(Chairwoman)*
Ms. Chan Bee Leng
Mr. Ooi Soo Liat
Mr. Yang Xinping

## REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS
20 Sin Ming Lane
#06-66
Midview City
Singapore 573968

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG
19th Floor, Prosperity Tower
39 Queen's Road Central
Central
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Union Registrars Limited
Suites 3301–04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

## AUDITORS
Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way
OUE Downtown 2
#33-00
Singapore 068809

## COMPLIANCE ADVISER
Vinco Capital Limited
Units 4909–4910
49/F, The Center
99 Queen's Road Central
Hong Kong

## PRINCIPAL BANKERS
DBS Bank Ltd
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

Malayan Banking Berhad
2 Battery Road
Maybank Tower
Singapore 049907

## COMPANY WEBSITE
www.bhcc.com.sg

## STOCK CODE
1552

# CHAIRMAN'S STATEMENT

## TO OUR SHAREHOLDERS

On behalf of the board (the "Board") of directors of BHCC Holding Limited (the "Company", together with its subsidiaries, collectively the "Group"), I present the annual results of the Group for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016.

The issued shares of the Company have successfully been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 12 September 2017. The Listing has strengthened the Group's financial position, which facilitates the Group to implement its business strategies as stated in the section headed "Business — Business Strategies" in the prospectus of the Company dated 29 August 2017.

The listing also increases the profile of the Group and enables the Group to have greater presence in local and overseas markets. At the same time, the listing also provided capital market funding for the Group to further enhance our competitiveness and gain access to new technologies.

During the Review Year, the revenue of the Group was approximately S$144 million. Gross profit was approximately S$14.4 million. Profit before taxation was approximately S$8.4 million.

Looking ahead, the Group is positive about the prospects of the Singapore construction market and I am optimistic that the Group will achieve stable growth given our solid track record and experienced project management teams. At the same time, the Group will actively explore emerging building technologies to improve our productivities and to prepare ourselves for future opportunities. The Group continues to focus on strengthening its market position for the building construction works in Singapore.

I would like to take this opportunity to express my gratitude to all our shareholders, fellow members of the Board, the senior management and staff of all levels for their dedication and effort over the years. In addition, on behalf of the Board, I would also like to express our most sincere thanks to all our customers, suppliers and business partners for their continuous support.

**Yang Xinping**
*Chairman and Executive Director*

28 March 2018

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

BHCC Holding Limited (the "Company", together with its subsidiaries, 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.

The shares of the Company (the "Shares", each a "Share") were successfully listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 September 2017 (the "Listing Date" and the "Listing", respectively).

## FINANCIAL REVIEW

The Group's revenue for the year was approximately S$144.0 million, representing a decline of 18.4% as compared with that of approximately S$176.4 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. Although the revenue contribution from the top customer increased from approximately S$62.6 million to S$86.1 million, the revenue contribution from the other main contractor project customers have decreased due to the substantial completion of certain private sector projects.

Gross profit for the year rose by approximately S$3.2 million to approximately S$14.4 million (Previous year: approximately S$11.2 million), and the gross profit margin increased to 10.0% (Previous year: 6.4%). The increase in the gross profit margin was mainly due to higher gross profit margin for private projects completed in the year. This can be attributed to additional works performed and cost savings for these projects.

Other income decreased by approximately S$0.4 million or 39.9% from approximately S$1.0 million to approximately S$0.6 million for the year ended 31 December 2017 due to lower government grants received from the Singapore government.

The Group's other expenses were the listing expenses incurred in the preparation for the Listing.

The Group's income tax expenses increased by approximately S$0.7 million from S$1.5 million to S$2.2 million for the year ended 31 December 2017. The increase was primarily due to an increase in expenses not deductible for tax purposes, such as the professional fees incurred for the Listing.

For the year ended 31 December 2017, profit after taxation decreased from approximately S$7.8 million to approximately S$6.2 million mainly due to one-off listing expenses of approximately S$3.4 million which is net off against better profit margin earned from an educational institution project.

Profit attributable to owners of the Company has decreased from approximately S$7.7 million to approximately S$5.2 million owing to lower profit after taxation and higher share of profits by non-controlling interests. Non-controlling interests shared approximately 16.0% of the Group's profit for the year ended 31 December 2017, amounting to approximately S$1.0 million.

## USE OF NET PROCEEDS FROM THE LISTING

The Shares were listed on the Stock Exchange on the Listing Date with net proceeds from the Listing of HK$72.7 million.

The use of the net proceeds from the Listing as at 31 December 2017 was approximately as follows:

| Use of net proceeds | Percentage of net proceeds | Net proceeds (in HK$ million) | Amount utilised (in HK$ million) | Amount remaining (in HK$ million) |
|---|---|---|---|---|
| — Purchase equipment and machineries to strengthen market position | 40.1% | 29.1 | 2.4 | 26.7 |
| — Initial capital contribution required for larger value projects | 26.9% | 19.6 | 4.0 | 15.6 |
| — Expand and enhance workforce to support business expansion | 17.9% | 13.0 | 3.0 | 10.0 |
| — Recruit new staff and train existing staff to improve productivity via investment in BIM and ERP | 10.3% | 7.5 | 1.3 | 6.2 |
| — Working capital | 4.8% | 3.5 | 3.0 | 0.5 |
| Total | 100% | 72.7 | 13.7 | 61.5 |

The Group has largely utilised the net proceeds from the Listing in accordance with the intended plan and purposes as outlined in the "Future Plans and Use of Proceeds" in the Prospectus. The initial capital contribution required for larger value projects amount utilised has been brought forward but the investment in building information modelling (the "BIM") and enterprise resources planning (the "ERP") has been delayed. Total amount utilised of HK$10.7 million was higher than the projected amount of HK$9.3 million.

## PROSPECTS

The Group continues to focus on strengthening its market position for the building construction works in Singapore. In the first half of 2018, 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 2017, the Group has provided performance bonds in favour of the customers amounting to approximately S$27.5 million.

## CAPITAL COMMITMENTS

As at 31 December 2017, the Group has commitments of S$0.5 million 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 2017 decreased to 11 days as compared to 17 days as at 31 December 2016, mainly due to higher revenue contributed by public sector projects which enabled the Group to collect its progress claims promptly.

The Group's cash and cash equivalents balance as at 31 December 2017 amounted to approximately S$32.2 million, representing an increase of approximately S$2.5 million as compared to approximately S$29.7 million as at 31 December 2016, which was attributable to the gross proceeds from the issuance of new shares of approximately S$17.4 million and the net off against purchase of investment properties, plant and equipment, payment of listing expenses and dividends to its shareholders of approximately S$15.3 million.

As at 31 December 2017, the Group's indebtedness comprised bank borrowings of approximately S$6.2 million. As at 31 December 2017, the gearing ratio (calculated by dividing total debts by equity attributable to owners of the Company) of the Group was 0.16 times as compared to 0.24 times as at 31 December 2016.

For further details regarding to the borrowings, please refer to note 25 to the consolidated financial statements.

The Group's equity balance increased to approximately S$39.0 million as at 31 December 2017 from that of approximately S$17.8 million as at 31 December 2016, which was attributable to the increase in equity upon the successful listing of the Company's shares on the Stock Exchange on 12 September 2017 and 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$14.5 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 347 employees as at 31 December 2017 (as at 31 December 2016: 325 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 performances 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 2017 and there was no outstanding option as at 31 December 2017.

## CHARGES OF ASSETS

The borrowings as at 31 December 2017 was secured against the freehold properties and investment properties with carrying amount of approximately S$4.2 million (Note 14).

## 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 2017.

## SIGNIFICANT INVESTMENTS HELD

As at 31 December 2017, the Group did not hold any significant investment.

## DIVIDEND

The Board takes into account the Group's overall results of operation, financial position and capital requirements, among other factors, in considering the declaration of dividends. The Board does not recommend the payment of a dividend and propose that the profit for the year be retained.

## CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the "AGM") will be held on Wednesday, 30 May 2018 at 3:00 p.m.. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 25 May 2018 to Wednesday, 30 May 2018, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the AGM, unregistered holders of the Shares should ensure that all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Thursday, 24 May 2018.

# DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Yang Xinping**, aged 48, founder of BHCC Holding Limited (the "Company", together with its subsidiaries, the "Group"), was appointed as a director (the "Director") of the Company on 21 February 2017 and re-designated as the chairman and executive Director on 31 March 2017. Mr. Yang is also a director of the subsidiaries of the Group. Mr. Yang is responsible for the Group's overall management, strategic planning and business development.

Mr. Yang started his career as an engineer in the Ministry of Coal Industry Xi'an Design & Research Institute which was principally engaged in the provision of design and engineering services for the construction industry from July 1992 to October 1996. He then joined Kok Onn Construction Pte Ltd from October 1996 to July 1999 as project manager. Prior to founding our Group in November 2003, Mr. Yang also worked as the general manager in CGW Construction & Engineering Pte Ltd from November 1999 to July 2003 and was responsible for all daily business matters and management of different departments and construction projects.

Mr. Yang obtained a Bachelor's Degree of Engineering from Xi'an Institute of Metallurgical Architecture, the People's Republic of China (the "PRC") in July 1992 and a Master's Degree in Science (Civil Engineering) in July 2002 from The National University of Singapore. Mr. Yang has over 24 years of experience in the construction industry. Mr. Yang is currently a member of the nomination committee (the "Nomination Committee") of the Company.

**Ms. Han Yuying**, aged 53, was appointed as an Executive Director on 31 March 2017. Mdm Han is also a director of the subsidiaries of the Group. Mdm. Han joined the Group in November 2007 and is currently responsible for overseeing the tendering, contracts administration, purchasing departments, and providing guidance and management experience in contract negotiations. Mdm. Han obtained a Bachelor's Degree in Engineering from Hohai University, the PRC in July 1988. She has more than 28 years of experience in the construction industry. Mdm Han is currently a member of the remuneration committee (the "Remuneration Committee") of the Company.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. Chan Bee Leng**, FCA (Singapore) and CPA (Australia), age 48, was appointed as an independent non-executive Director on 17 August 2017. She is currently the chairwoman of audit committee of the Company (the "Audit Committee") and member of the Remuneration Committee and Nomination Committee of the Company. Ms. Chan holds a Bachelor degree of Accountancy from Nanyang Technological University of Singapore and a Degree of Master of Business Administration (Executive) from the University of Hull (United Kingdom). She is a Fellow Chartered Accountant of Singapore and a member of the Institute of Certified Public Accountants of Australia (CPA Australia). Ms. Chan has more than 18 years of experience in group finance, tax, accounting, corporate finance and treasury.

**Mr. Ooi Soo Liat**, aged 73, was appointed as an independent non-executive Director on 17 August 2017. He is currently the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Ooi has more than 20 years of experience in stock broking and trading of securities. Mr. Ooi obtained a postgraduate diploma in business studies from the University of Sheffield, United Kingdom in June 1971 and a master of science in financial studies from the University of Strathclyde, United Kingdom in October 1976. He was admitted as an associate member and subsequently a fellow of the Institute of Cost & Management Accountants in May 1979 and March 1985 respectively.

**Ms. Li Xueling, Sharlene**, aged 33, was appointed as an independent non-executive Director on 17 August 2017. She is currently the chairwoman of the Nomination Committee and a member of Audit Committee and Remuneration Committee. Ms. Li Xueling, Sharlene graduated with a bachelor degree of Accountancy from Nanyang Technological University in June 2007. She is a Chartered Accountant of Singapore and has been a member of the Institute of Singapore Chartered Accountants since July 2013. Ms. Li Xueling, Sharlene has over 9 years of relevant experience in the accounting field.

## SENIOR MANAGEMENT

**Ms. Chao Jie**, aged 48, joined our Group as quantity surveyor in May 2005. She is the spouse of Mr. Yang, the chairman and executive Director. As a quantity surveyor, she was responsible for project tender, progress claims, budget analysis and cost control. Subsequently, Mrs. Yang is promoted to administrative, accounting and human resources manager in July 2008. She is responsible for overseeing the administrative, accounting and human resources functions of the Group. Mrs. Yang graduated from Xi'an Highway Transportation University, the PRC, with a Bachelor's Degree in Engineering in July 1993. Mrs. Yang also attended the workshop for CEO/Top Workshop for CEO/Top Management (bizSAFE Level 1) in 2013. Mrs. Yang has over 15 years of experience in the construction industry in Singapore.

**Mr. Yeo Ngian Tee**, aged 55, joined the Group as project manager in February 2010 and was responsible for the overall management of various projects. He was promoted to his current position as a senior project manager with same role and responsibilities in November 2011. Mr. Yeo graduated from Heriot-Watt University, United Kingdom with a bachelor degree of science in construction project management in November 2012. Prior to that, Mr. Yeo obtained a technician diploma in civil engineering from Singapore Polytechnic in May 1983. Mr. Yeo has over 10 years of experience in the construction industry in Singapore.

**Mr. Kang Zeng**, aged 31, joined the Group as site engineer cum quantity surveyor in September 2008 and is responsible for planning, implementing and monitoring the work schedules of construction projects to ensure the progress of the construction works were in accordance with the master and detailed work programs. As a quantity surveyor, he is also tasked to review contracts and tender documents, prepare tender documents, progress claims and final accounts of each projects under his purview. Subsequently, he was promoted to his current position as a project manager since May 2014 and is responsible for the overall management of various projects. Mr. Kang graduated from Heilongjiang University of Science & Technology, the PRC with a degree in civil engineering in June 2008. Mr. Kang has over 8 years of experience in the construction industry in Singapore.

**Ms. Zhang Zhiping**, aged 44, joined the Group as an accountant in April 2013. Ms. Zhang is responsible for financial, accounting, taxation, treasury and banking matters of the Group. Ms. Zhang graduated from Chinese People's University, the PRC, with a Bachelor's Degree in Economics (International Accounting) in July 1996. Ms. Zhang also obtained a Master's Degree in Business Administration from the University of Poitiers in March 2000 under the Sino-French government education cooperation project. Ms. Zhang has over 16 years of experience in the construction industry in Singapore.

## COMPANY SECRETARY

**Ms. Chan So Fun**, aged 49, was appointed as the company secretary of the Company on 17 August 2017. Ms. Chan is currently a partner at the law firm of Michael Li & Co, specialising in corporate finance work including initial public offerings, mergers and acquisitions and restructuring. Ms. Chan is a practising solicitor and was admitted as a solicitor in Hong Kong in November 2007. She received a degree of Bachelor of Laws from the University of London in August 2004. She obtained a Master of Business Administration from The University of Hong Kong in December 1998 and she also obtained a degree of Bachelor of Social Science from The Chinese University of Hong Kong in December 1992. Ms. Chan has been the company secretary of SHIS Limited (stock code: 1647) since July 2016. Prior to embarking her legal career, Ms. Chan has over five years of experience in marketing and corporate communications.

# CORPORATE GOVERNANCE REPORT

BHCC Holding Limited (the "Company", together with its subsidiaries, the "Group") 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 (the "Directors", each a "Director") of the Company 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.

## CORPORATE GOVERNANCE PRACTICES

As the shares (the "Shares", each a "Share") of the Company were initially listed on the Stock Exchange on the Listing Date, the Corporate Governance Code (the "CG Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") was not applicable to the Company for the period from 1 January 2017 to 11 September 2017, being the date immediately before the Listing Date. The Company has adopted and has complied with all applicable code provisions as set out in the CG Code during the period from the Listing Date to 31 December 2017 (the "Period").

## 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 Period.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Period, none of the Directors or the controlling shareholders of the Company nor their respective associates (as defined in the Listing Rules) had any interest in a business that competed or might compete with the business of the Group.

In particular, each of Mr. Yang Xinping and Ms. Han Yuying has confirmed to the Company of his/her compliance with the non-competition undertakings provided to the Company under a deed of non-competition dated 21 August 2017 (the "Deed of Non-competition"). The independent non-executive Directors (the "INEDs") have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-competition had been complied with by the above-mentioned persons and duly enforced since the Listing Date and up to 31 December 2017.

## BOARD OF DIRECTORS

### Responsibilities

The board of Directors (the "Board") is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the Company's articles of association (the "Articles of Association"). The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. The Board may from time to time delegate certain functions to management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and assigned to it from time to time.

The Directors have full access to information of the Group and are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

## COMPOSITION

The Company is committed to holding the view that the Board should include a balanced composition of executive Directors and INEDs so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

As at the date of this annual report, the Board comprises the following five Directors, of which the INEDs in aggregate represent 60% of the Board members:

### Executive Directors

Mr. Yang Xinping *(Chairman)*
Ms. Han Yuying

### INEDs

Ms. Chan Bee Leng
Ms. Li Xueling, Sharlene
Mr. Ooi Soo Liat

The biographical details of each of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

The INEDs have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all INEDs will continue to make various contributions to the Company.

Throughout the Period, the Company had three INEDs, representing 60% of the Board members, which has exceeded the requirement of the Listing Rules that the number of INEDs must represent at least one-third of the Board members, and met the requirement that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received an annual confirmation of independence in writing from each of the INEDs pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules from the Listing Date to the date of this annual report.

Proper insurance coverage in respect of legal actions against the Directors has been arranged by the Company.

## DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each of the Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under statue and common law, the Listing Rules, other legal and regulatory requirements and the Company's business and governance policies. During the year ended 31 December 2017, each of the Directors named under the paragraph headed "Composition" above attended a training seminar arranged by the Company's Hong Kong legal advisers on directors' responsibilities.

The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the continuing professional development programmes received by each of the Directors during the year ended 31 December 2017 is summarised as follows:

| Name of Directors | Type of trainings |
|---|---|
| Mr. Yang Xinping | A and B |
| Ms. Han Yuying | A and B |
| Ms. Chan Bee Leng | A and B |
| Ms. Li Xueling, Sharlene | A and B |
| Mr. Ooi Soo Liat | A and B |

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

## MEETINGS OF THE BOARD AND DIRECTORS' ATTENDANCE RECORDS

From the financial year commencing on 1 January 2018 onwards, the Board is scheduled to meet two times a year at approximately biannual intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the regular Board meeting, or such other period as agreed for other Board meetings. The company secretary (the "Company Secretary") of the Company is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting and the final version is open for the Directors' inspection.

The Board held one meetings during the Period and, amongst other matters, considered and approved the unaudited combined financial information of the Group for the six months ended 30 June 2017.

The Board held a meeting on 28 March 2018 and, amongst other matters, considered and approved the audited consolidated financial statements of the Group for the year ended 31 December 2017.

The attendance of each Director at the Board meetings during the Period and up to the date of this annual report is as follows:

| Name of Directors | No. of Attendance/ No. of Meetings |
|---|---|
| Mr. Yang Xinping | 2/2 |
| Ms. Han Yuying | 2/2 |
| Ms. Chan Bee Leng | 2/2 |
| Ms. Li Xueling, Sharlene | 2/2 |
| Mr. Ooi Soo Liat | 2/2 |

## BOARD DIVERSITY POLICY

During the Period, the Board has adopted a policy of the Board diversity and discussed all measurable objectives set for implementing the same.

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the CG Code, the role of the chairman and chief executive officer should be separated and should not be performed by the same individual. The posts of chairman and chief executive officer are separated to ensure a clear division between the chairman's responsibility to manage the Board and the chief executive officer's responsibility to manage the company's business. The separation ensures a balance of power and authority so that power is not concentrated.

Mr. Yang Xinping as a chairman of the Group, plays a leading role and is responsible for the overall strategic planning and business development of the Group. During the year ended 31 December 2017, the Company did not have an officer with the title of chief executive officer ("CEO"). The CEO's duties have been undertaken by the members of the Board. The Board considers that this structure will not impair the balance of power and authority of the Board. It currently comprises two executive Directors and three INEDs.

The Company has complied with the code provisions as set out in the CG Code contained in Appendix 14 of the Listing Rules throughout the Period.

## BOARD COMMITTEES

The Board has established three Board committees, namely the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

## AUDIT COMMITTEE

The Audit Committee 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 INEDs, namely Ms. Chan Bee Leng, Ms. Li Xueling and Mr. Ooi Soo Liat. Ms. Chan Bee Leng is the chairwoman of the Audit Committee.

The principal roles and functions of the Audit Committee include but are not limited to:

- making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and handling any questions regarding its resignation or dismissal;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and discussing with the external auditors on the nature and scope of the audit and reporting obligations before the audit commences;
- developing and implementing a policy on engaging external auditors to supply non-audit services and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- monitoring the integrity of the Company's financial statements and annual report and accounts, and half-year report, as well as reviewing significant financial reporting judgments contained in them;
- reviewing the Company's financial controls, and risk management and internal control systems;
- discussing the risk management and internal control systems with the management to ensure that the management has performed its duty to have such effective systems;
- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- where an internal audit function exists, ensuring co-ordination between the internal and external auditors, ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the external auditors' management letter, any material queries raised by the auditors to management about the accounting records, financial accounts or systems of control and management's response;
- ensuring that the Board will provide a timely response to the issues raised in the external auditors' management letters; and
- considering other topics as defined by the Board.

During the Period, two Audit Committee meetings were held and, amongst other matters, considered and approved (i) for presentation to the Board for consideration and approval the draft unaudited combined financial information of the Group for the six months ended 30 June 2017 and (ii) audit-related matters.

The Audit Committee held a meeting on 28 March 2018 and, amongst other matters, considered and approved for presentation to the Board for consideration and approval the draft audited consolidated financial statements of the Group for the year ended 31 December 2017.

The attendance of each INED at the Audit Committee meetings during the Period and up to the date of this annual report is as follows:

| Name of Directors | No. of Attendance/ No. of Meetings |
|---|---|
| Ms. Chan Bee Leng | 3/3 |
| Ms. Li Xueling, Sharlene | 3/3 |
| Mr. Ooi Soo Liat | 3/3 |

## REMUNERATION COMMITTEE

The Remuneration Committee was established on 17 August 2017 with written terms of reference in compliance with the CG Code. The written terms of reference of the Remuneration Committee are published on the respective websites of the Stock Exchange and the Company. The Remuneration Committee comprises three INEDs, Ms. Chan Bee Leng, Ms. Li Xueling, Sharlene and Mr. Ooi Soo Liat and an executive Director, Ms. Han Yuying ("Ms. Han"), Mr. Ooi is the chairman of the Remuneration Committee.

The principal roles and functions of the Remuneration Committee include but are not limited to:

- making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy;

- reviewing and approving the management's remuneration proposals by reference to the Board's corporate goals and objectives;

- making recommendations to the Board on the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

- considering the salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group;

- reviewing and approving the compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive;

- reviewing and approving the compensation arrangements relating to the dismissal or removal of Directors for misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate; and

- ensuring that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration.

During the Period, no Remuneration Committee meeting was held as the Company was listed on 12 September 2017.

The Remuneration Committee held a meeting on 28 March 2018, and reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and senior management.

The attendance of each Director in the capacity of a member of the Remuneration Committee at its meeting during the Period and up to the date of this annual report is as follows:

| Name of Directors | No. of Attendance/ No. of Meeting |
|---|---|
| Mr. Ooi Soo Liat | 1/1 |
| Ms. Han Yuying | 1/1 |
| Ms. Chan Bee Leng | 1/1 |
| Ms. Li Xueling, Sharlene | 1/1 |

## NOMINATION COMMITTEE

The Nomination Committee was established on 17 August 2017 with written terms of reference in compliance with the CG Code. The written terms of reference of the Nomination Committee are published on the respective websites of the Stock Exchange and the Company. It comprises three INEDs, namely Ms. Chan Bee Leng, Ms. Li Xueling, Sharlene, Mr. Ooi Soo Liat and an executive Director, Mr. Yang, Ms. Li Xueling, Sharlene is the chairwoman of the Nomination Committee.

The principal roles and functions of the Nomination Committee include but are not limited to:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;

- assessing the independence of the INEDs; and

- making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for the Directors, in particular, the Chairman.

During the Period, no Nomination Committee meeting was held as the Company was listed on 12 September 2017.

The Nomination Committee held a meeting on 28 March 2018 and among other things, reviewed the structure, size and composition of the Board, assessed the independence of the INEDs and recommended to the Board for consideration the re-appointment of the retiring Directors at the forthcoming annual general meeting of the Company ("AGM").

The attendance of each Director in the capacity of a member of the Nomination Committee at its meeting during the Period and up to the date of this annual report is as follows:

| Name of Directors | No. of Attendance/ No. of Meeting |
|---|---|
| Ms. Li Xueling, Sharlene | 1/1 |
| Mr. Yang Xinping | 1/1 |
| Ms. Chan Bee Leng | 1/1 |
| Mr. Ooi Soo Liat | 1/1 |

## CORPORATE GOVERNANCE FUNCTIONS

The Board recognises that corporate governance should be the collective responsibility of the Directors, which includes but is not limited to:

- developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in this report.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for a term of 3 years commencing on the Listing Date.

Each of the INEDs has entered into a letter of appointment with the Company for a period of 3 years commencing on the Listing Date.

Any Director appointed by the Board to fill a causal vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

All the Directors, including INEDs, are subject to retirement by rotation and eligible for re-election in accordance with the Articles of Association. At each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at the AGM at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he/she retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and does not offer himself for re-election. Any further Directors so to retire shall be those who have been the longest in office since their last re-election or appointment and so that as between the persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration and the 5 highest paid employees for the year ended 31 December 2017 are set out in Note 11 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Directors and Senior Management" in this annual report for the year ended 31 December 2017 by band is set out below:

| **Remuneration band (in HK$)** | **Number of individuals** |
|---|---|
| Nil to 1,000,000 | 2 |
| HK$1,000,001 HK$1,500,000 | 1 |

## INDEPENDENT AUDITOR'S REMUNERATION

For the year ended 31 December 2017, Deloitte & Touche LLP was engaged as the Group's independent auditor.

The remuneration paid/payable to Deloitte & Touche LLP for the year ended 31 December 2017 is set out below:

| **Services** | **Fee paid/payable**<br>S$ |
|---|---|
| Audit services | 257,000 |
| Non-audit services | 67,000 |
| Total | 324,000 |

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group for the year ended 31 December 2017.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

In addition, Deloitte & Touche LLP has stated in the independent auditor's report its reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2017.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

During the year, the Group has, in connection with the listing process, engaged an independent internal control consultant to a review of the effectiveness of the internal control system of the Group covering all material controls, including financial, operational and compliance as well as risk management. The Board considers that the Group's risk management and internal control are adequate and effective. The Group does not have an internal audit function and will engage an external party to review risk management and internal control systems annually.

## DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;

- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;

- the Group has strictly prohibited unauthorised use of confidential or inside information; and

- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors, the Company Secretary and the head of investor relations of the Company are authorised to communicate with parties outside the Group.

## COMPANY SECRETARY

Since 20 March 2017, the Company has appointed Ms. Chan So Fun as the Company Secretary who has a sound understanding of the operations of the Board and the Group. She was also closely involved in the preparation of the Listing. During the year ended 31 December 2017, Ms. Chan has received no less than 15 hours of professional training in compliance with Rule 3.29 of the Listing Rules.

As the Company Secretary, Ms. Chan has been reporting to the chairman of the Company. All members of the Board can have access to her advice and services. The appointment and removal of the Company Secretary will be subject to Board's approval.

## SHAREHOLDERS' RIGHTS

### Procedures for putting forward proposals at shareholders' meetings

There is no provision allowing Shareholders to make proposals or move resolutions at the annual general meetings (the "AGMS") under the memorandum of association of the Company and the Articles of Association (the "M&A") or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting (the "EGM") in accordance with the "Procedures for Shareholders to convene an EGM" set out below.

### Procedures for shareholders to convene an EGM

Any one or more Shareholders holding at the date of deposit of the requisition not less than 10% of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to require an EGM to be called by the Board or the Company Secretary for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned at the principal place of business of the Company in Hong Kong (19th Floor, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong) for the attention of the Company Secretary.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda.

The Company will check the Requisition and the identity and shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM and/or include the proposal(s) made or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM within 2 months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of the outcome and accordingly, the Board will not call for an EGM nor include the proposal(s) made or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM.

If within 21 days of the deposit of the Requisition the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

## PROCEDURES FOR SHAREHOLDERS TO SEND ENQUIRES TO THE BOARD

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong, presently at 19th Floor, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong, by post for the attention of the Company Secretary.

Upon receipt of the enquiries, the Company Secretary will forward the communications relating to:

1. the matters within the Board's purview to the executive Directors;

2. the matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and

3. ordinary business matters, such as suggestions, enquiries and client complaints to the appropriate management of the Company.

## COMMUNICATION WITH THE SHAREHOLDERS

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the Shareholders will have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company.

Information will be communicated to the Shareholders through the Company's financial reports, AGMs and other EGMs that may be convened as well as all the published disclosures submitted to the Stock Exchange.

## CONSTITUTIONAL DOCUMENTS

Except for the adoption of new M&A by the Company to comply with the applicable legal and regulatory requirements (including the Listing Rules) on 17 August 2017 and with effect from the Listing Date, there was no change in the constitutional documents of the Company during the year ended 31 December 2017.

The M&A is available on the respective websites of the Stock Exchange and the Company.

## EVENTS AFTER THE REPORTING PERIOD

On 26 March 2018, BHCC Construction Pte. Ltd., a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party not connected to the Company and its connected persons, in relation to a disposal (the "Disposal") of an available-for-sale investment at an aggregate consideration of S$3.0 million. The Disposal does not constitute a notifiable transaction under the Listing Rules.

The directors (the "Directors", each a "Director") of BHCC Holding Limited (the "Company", together with its subsidiaries, the "Group") present the annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2017.

## CORPORATE REORGANISATION

The Company was incorporated with limited liability in Cayman Islands on 21 February 2017.

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the public listing of the Company's shares (the "Shares") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 17 August 2017.

Details of the reorganisation are set out in note 2 to the consolidated financial statements.

The Shares of the Company were listed on the Stock Exchange with effect from 12 September 2017 (the "Listing Date").

## PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of its subsidiaries are provision of building construction services. There were no significant changes to the Group's principal activities during the current year.

## RESULTS/BUSINESS REVIEW

The results of the Group for the year ended 31 December 2017 are set out in the section headed "Consolidated Statement of Profit or Loss and Other Comprehensive Income" on page 44 in this report. The business review of the Group for the year ended 31 December 2017 is set out in the section headed "Management Discussion and Analysis" on pages 4 to 7 in this report.

## DIVIDENDS

The Directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## EQUITY-LINKED AGREEMENTS

The Company did not enter into any equity-linked agreement during the year ended 31 December 2017.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

## PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group are set out in the section headed "Management Discussion and Analysis" of this annual report.

## DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2017 were as follows:

| | 2017<br>S$ |
|---|---|
| Share premium | 14,176,517 |
| Accumulated losses | (3,786,269) |
| | 10,390,248 |

## RESERVES AND DISTRIBUTABLE RESERVES

The Company did not have distributable reserves as at 31 December 2017, calculated under the Companies Law, Cap 22 (Law 3 of 2961, as consolidated and revised) of the Cayman Islands, as it has accumulated losses. However, the Company's share premium amount may be distributed as dividends provided that immediately following the date of which the dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group follows the principal to behave ethically and responsibly in daily operation to fulfill its environmental and social responsibilities. We have an Integrated Management System ("IMS") which comprise of (i) ISO 9001 (Quality Management System); (ii) OHSAS 18001 (Occupational Health & Safety Management System); (iii) ISO 14001 (Environmental Management System); and (iv) Green and Gracious Builder Scheme (GGBS) mandated by Singapore Building & Construction Authority for the provision of integrated building services works to promote environment protection and gracious practices during the construction phase of projects and to govern ESG related aspect of our operations, The Group had taken steps in our GGBS programs to reduce pollution to the environment.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements and have compliance procedures in place to ensure adherence to applicable laws, rules and regulations in particular, those that have significant impact on the Group. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. The Group's operation are carried out in Singapore while the Company itself was incorporated in Cayman Islands and listed on Main Board of the Stock Exchange in Hong Kong. Our establishment and operations accordingly shall comply with relevant laws and regulations in Hong Kong, Cayman Islands and Singapore.

## RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group treats every member of our employee as part of our big family, whether it is managerial, executive or rank-and-file employee positions and is committed to providing reasonable remunerations to all staff. To induce a sense of belonging in our Company, various team bonding events were organised annually for staff to interact with each other out of the workplace.

The Group maintains a good relationship with its customers by having a customer feedback channel with the aim of improving service quality.

The Group is in good relationship with its suppliers and conducts a fair and strict appraisal of its suppliers.

## DIRECTORS

The Directors of the Company during the financial year and up to the date of this report were:

### Executive directors:

- Mr. Yang Xinping ("Mr. Yang")
- Ms. Han Yuying ("Ms. Han")

### Independent non-executive Directors:

- Ms. Chan Bee Leng
- Ms. Li Xueling, Sharlene
- Mr. Ooi Soo Liat

In accordance with article 84 of the Company's article of association, one-third of the Directors of the Company, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting (the "AGM"), provided that every Director shall retire at least once every three years.

Accordingly, all the Directors shall retire at the forthcoming AGM and being eligible, will offer themselves for re-election.

Biographical information of the directors of the Company and the senior management of the Group are set out on pages 8 to 9 of the annual report.

## DIRECTORS' SERVICE CONTRACTS

Each of Mr. Yang and Ms. Han, being the executive Directors, has entered into a service contract with the Company for a term of 3 years commencing on the Listing Date, which will continue thereafter unless terminated by either party giving to the other not less than three months' notice in writing.

No Director proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## COMPLIANCE ADVISER'S INTERESTS

As notified by the Company's compliance adviser, Vinco Capital Limited (the "Compliance Adviser"), as at 31 December 2017, 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.

## PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association and subject to the applicable laws and regulations, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices. Such permitted indemnity provision has been in force since the Listing Date up to 31 December 2017. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2017, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

### (a) Long positions in ordinary shares of the Company

| Director | Number of Shares/Position | Percentage of shareholding | Capacity |
|---|---|---|---|
| Mr. Yang | 409,050,000 *(Note 1)* Long position | 51.13125% | Interest in controlled corporation |
| Ms. Han | 136,350,000 *(Note 2)* Long position | 17.04375% | Interest in controlled corporation |

*Note:*

1. These shares are held by Huada Developments Limited ("Huada Developments"). The issued share capital of Huada Developments is legally and beneficially owned as to 80% by Mr. Yang and 20% by his spouse, Ms. Chao Jie. Mr. Yang is deemed to be interested in the shares of the Company in which Huada Developments is interested under Part XV of the SFO.

2. These shares are held by Eagle Soar Global Limited ("Eagle Soar"). The entire issued share capital of Eagle Soar is legally and beneficially owned by Ms. Han. Ms. Han is deemed to be interested in the shares of the Company in which Eagle Soar is interested under Part XV of the SFO.

### (b) Long positions in the shares of Huada Developments, an associated corporation

| Director | Capacity/nature of interest | Number of shares in Huada Developments | Percentage of shareholding in Huada Development |
|---|---|---|---|
| Mr. Yang | Beneficial owner | 80 | 80% |

Save as disclosed above, as at the date of this report, none of the Directors of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

### (c) Substantial shareholders' interest in the Company

As at 31 December 2017, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

| Shareholder | Number of Shares/Position | Percentage of shareholding | Capacity |
|---|---|---|---|
| Huada Developments *(Note 1)* | 409,050,000 Long position | 51.13125% | Beneficial owner |
| Ms. Chao Jie *(Note 2)* | 409,050,000 Long position | 51.13125% | Interest of spouse |
| Eagle Soar *(Note 3)* | 136,350,000 Long position | 17.04375% | Beneficial owner |
| Mr. Liu Hai *(Note 4)* | 136,350,000 Long position | 17.04375% | Interest of spouse |
| Wai Tian Holdings Limited *(Note 5)* | 54,600,000 Long position | 6.825% | Beneficial owner |
| Mr. Zhan Lixiong ("Mr. Zhan") *(Note 5)* | 54,600,000 Long position | 6.825% | Interest in controlled corporation |
| Ms. Zheng Dan *(Note 6)* | 54,600,000 Long position | 6.825% | Interest of spouse |

*Notes:*

1. The issued share capital of Huada Developments is legally and beneficially owned as to 80% by Mr. Yang and 20% by Ms. Chao Jie. Mr. Yang is deemed to be interested in the Shares in which Huada Developments is interested in under Part XV of the SFO.

2. Ms. Chao Jie is the spouse of Mr. Yang. She is deemed to be interested in the Shares in which Mr. Yang is interested in under Part XV of the SFO.

3. The entire issued share capital of Eagle Soar is legally and beneficially owned by Ms. Han. Ms. Han is deemed to be interested in the Shares in which Eagle Soar is interested in under Part XV of the SFO.

4. Mr. Liu Hai is the spouse of Ms. Han. He is deemed to be interested in the Shares in which Ms. Han is interested in under Part XV of the SFO.

5. The entire issued share capital of Wai Tian Holdings Limited is legally and beneficially owned by Mr. Zhan. Mr. Zhan is deemed to be interested in the Shares in which Wai Tian Holdings Limited is interested in under Part XV of the SFO.

6. Ms. Zheng Dan is the spouse of Mr. Zhan. Ms. Zheng Dan is deemed to be interested in the Shares in which Mr. Zhan is interested in under Part XV of the SFO.

Save as disclosed above, as at 31 December 2017, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

## SHARE OPTIONS SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 17 August 2017. The Share Option Scheme became effective on 12 September 2017 and its principal terms are summarised below:

### (1) Purpose

The purpose of the Share Option Scheme is to provide an incentive or a reward to eligible persons for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest ("Invested Entity").

### 2) Eligible participant(s)

"Eligible Participant(s)" refer to:

(1) any employee (whether full-time or part-time) of the Group and any Invested Entity;

(2) any director (including executive and independent non-executive directors) of the Group or any Invested Entity;

(3) any supplier of goods or services to any member of the Group or any Invested Entity;

(4) any customer of the Group or any Invested Entity;

(5) any consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity; or

(6) any person who, in the sole discretion of the Board, has contributed or may contribute to the Group or any Invested Entity eligible for options under the Share Option Scheme.

### (3) Total number of Shares available for issue

A maximum of 80,000,000 Shares, being 10% of the total number of Shares in issue as at the Listing Date, may be issued upon exercise of all options to be granted under the Share Option Scheme.

### (4) Maximum entitlement of each eligible person

Unless approved by the Shareholders in general meeting and subject to the following paragraph, the maximum number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme to any one person (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time.

Options granted to a substantial Shareholder or an INED or any of their respective associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in any 12-month period up to and including the date of such grant (a) representing in aggregate over 0.1% of the total number of Shares in issue; and (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, must be approved by the Shareholders in general meeting in advance.

### (5) Option period

Subject to the rules of the Share Option Scheme, an option may be exercised in whole or in part by the grantee at any time before the expiry of the period to be determined and notified by the Board to the grantee which in any event shall not be longer than ten years commencing on the date of the offer letter and expiring on the last day of such ten-year period.

### (6) Minimum vesting period

No minimum period for which an option must be held before the exercise of any option save as otherwise imposed by the Board in the relevant offer of options.

### (7) Payment on acceptance of the option

Participants of the Share Option Scheme are required to submit to the Company a duly signed offer letter within 21 days from the offer date together with a payment in favour of the Company of S$1 as the consideration of the grant.

### (8) Basis of determining the exercise price

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as determined by the Board, and shall be at least the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date (the "Offer Date"), which must be a trading day, on which the Board passes a resolution approving the making of an offer of grant of an option to an Eligible Person;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the Offer Date; and

(iii) the nominal value of a Share on the Offer Date.

**(9) Remaining life**

Subject to any prior termination by the Company in a general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the Share Option Scheme, after which period no further options shall be granted. All options granted and accepted and remaining unexercised immediately prior to the expiry of the Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

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 2017 and there was no outstanding option as at 31 December 2017.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contract of significance, to which the Company's holding company, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange. The Company considers all of the INEDs are independent.

## CONNECTED AND RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group during the year, are disclosed in Note 30 to the consolidated financial statements. Upon Listing, certain related party transactions set out in Note 30 to the consolidated financial statements are regarded as continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of such transactions are set out in the section headed "Connected Transactions" in the prospectus of the Company dated 29 August 2017 (the "Prospectus"). As disclosed in the Prospectus, such transactions constitute de minimis continuing connected transactions as from the Listing Date and are fully exempt from the connected transaction requirements of Chapter 14A of the Listing Rules. Save for such transactions, the Group had not entered into any connected transaction during the year ended 31 December 2017, which is required to be disclosed under Chapter 14A of the Listing Rules.

## EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the remuneration committee of the Company on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a Share Option Scheme as an incentive to directors and eligible employees. The Share Option Scheme became effective on 12 September 2017.

## RETIREMENT SCHEME

The Group participates in the Central Provident Fund in Singapore which is a defined contribution retirement plan, when employees have rendered service entitling them to the contributions. Save as the aforesaid, the Group did not participate in any other pension schemes during the Period.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases for the year ended 31 December 2017 attributable to the Group' major customers and suppliers are as follow:

### Sales

| | | |
|---|---|---|
| — | the largest customer | 59% |
| — | five largest customers | 92% |

### Purchases

| | | |
|---|---|---|
| — | the largest supplier | 24% |
| — | five largest suppliers | 48% |

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2017.

## CHARITABLE DONATIONS

During the year, the Group made charitable and other donations amounting to S$7,488.

## EVENTS AFTER THE REPORTING PERIOD

On 26 March 2018, BHCC Construction Pte. Ltd., a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party not connected to the Company and its connected persons, in relation to a disposal (the "Disposal") of an available-for-sale investment at an aggregate consideration of S$3.0 million. The Disposal does not constitute a notifiable transaction under the Listing Rules.

## AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte & Touche LLP as auditor of the Company.

On behalf of the Board

**Mr. Yang Xinping**
*Chairman and Executive Director*
28 March 2018

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BHCC Holding Limited (the "Company" or "We" and its subsidiaries, collectively, the "Group") is pleased to present this Environmental, Social and Governance ("ESG") Report, which describes the initiatives of the Group with regard to ESG issues for the Review Year.

We have an Integrated Management System ("IMS") which comprises of (i) ISO 9001 (Quality Management System); (ii) OHSAS 18001 (Occupational Health & Safety Management System); (iii) ISO 14001 (Environmental Management System); and (iv) Green and Gracious Builder Scheme (GGBS) mandated by Singapore Building and Construction Authority for the provision of integrated building services works to promote environmental protection and gracious practices during project construction phase and to govern ESG related aspect of our operations.

## ENVIRONMENTAL

### Emissions

In the provision of integrated building services works, we do not generate significant amount of greenhouse gas emissions, hazardous and non-hazardous wastes or discharges into water and land.

The Group strives to be efficient in the usage of energy, water and materials and also complies with relevant local environmental regulations with an aim to reduce the use of natural resources and to protect the environment.

In the provision of construction works, we consumed diesel for our forklifts, excavators and other machineries and equipment. The total carbon emission for the year arising from our diesel consumption is approximately 1,803.6 tonnes of $CO_2e$.

We are committed to monitor and manage our environmental footprint with our IMS relevant to our operations.

### Non-hazardous and Hazardous waste

Non-hazardous waste from the Group's operation includes general construction waste such as earth and debris from excavation, organic waste such as food waste and recyclable waste such as hardcore and good earth. Total non-hazardous waste produced was approximately 4,200 tonnes. Hazardous waste produced was approximately 0.6 tonnes.

We have procedures to manage construction wastes so as to ensure proper disposal, maximize re-use and to recycle of construction wastes. All wastes must only be disposed at designated and authorized dumping sites. We also engage external general waste collectors as well as licensed waste-removing contractors to dispose both non-hazardous and hazardous wastes. Wastes such as hardcore or good earth shall be recycled if possible to reduce waste disposal.

Our Group's policies on the efficient use of resources primarily reflect in the concept of "Reduce/Reuse/Recycle". Regular campaigns and trainings are provided to our employees to cultivate the concept of "Reduce/Reuse/Recycle". One of our policies is the provision of recycling bins for different types of waste such as paper, drink cans and plastic bottles. Old and replaced air-conditioners, fans and other building systems from the provision of integrated building services works are sometimes reused in our temporary site offices and meeting rooms (where appropriate).

## USE OF RESOURCES

### Energy consumption

Water and electricity are consumed at our head office and site offices which have a total area of 112,669.63 $m^2$. Electricity consumed by the Group was 890,307.60 kWh with consumption intensity of 7.9 $kWh/m^2$. Water consumed by the Group was 99,774.03 CuM with consumption intensity of 0.89 $CuM/m^2$. Diesel consumed by the Group was 672,784 litres.

### Energy use efficiency initiatives and results

Our environmental control procedures also include procedures to save resources such as paper, water, diesel and electricity at our head office and construction sites. We monitor and review our water, electricity and diesel consumption at our head office and construction sites on a monthly basis to ensure that the usage is relatively stable as compared to that of the previous months or of our similar projects. We also have staff in the head office and on-site to be responsible to switch off all lights, air-conditioners, machines and equipment when they are not in use. This leads to a stable water and electricity consumption at our offices. The Group has no issue in sourcing water that is fit for purpose and does not have packaging materials.

## THE ENVIRONMENTAL AND NATURAL RESOURCES

Our Group embarks on the Green & Gracious Builder Scheme (GGBS) mandated by the Building and Construction Authority. The implementation of the Green and Gracious practices will enhance and complement our environmental management system as well as raising the environmental consciousness and professionalism of our project teams. We are also aware of our responsibility to the environment and the general public; hence we are dedicated to work closely with the communities affected by our business operations.

For any possible incident that causes pollution to the environment, the Group will clarify the management responsibilities of each managerial positions and take measures to protect the local environment and avoid the occurrence of such in the future. There are currently no significant impacts of the Group's activities on the environment and natural resources.

## EMPLOYMENT AND LABOUR PRACTICES

### Employment and labour standards

Below sets out the basic information of employees based on gender, age and types of positions. All of our employees are based in Singapore during the Review year.

As at 31 December 2017, the Group has a total of 347 employees. Employee turnover ratio is approximately 12.6%.

| | Gender | |
|---|---|---|
| | **Male** | **Female** |
| Number of employees | 318 | 29 |
| Approximate percentage to the total number of employees in the Group | 91.6% | 8.4% |

| | Age | |
|---|---|---|
| | **30 and below** | **Above 30** |
| Number of employees | 202 | 145 |
| Approximate percentage to the total number of employees in the Group | 58.2% | 41.8% |

| | Types of Positions | | | |
|---|---|---|---|---|
| | Senior Management | Mid-Management | Professional Position | General Position |
| Number of employees | 7 | 14 | 64 | 262 |
| Approximate percentage to the total number of employees in the Group | 2.0% | 4.0% | 18.4% | 75.6% |

Employees' remuneration is commensurate with their job nature, qualifications and experience. Salaries and wage rates are usually subject to an annual review that are based on performance appraisals and other relevant factors. We strongly encourage internal promotion and a variety of job opportunities is offered to the existing staff when it is best suited.

We advocate a community spirit that thrives on mutual respect and equal opportunities. We firmly comply to equal opportunities legislation and to ensure diversity and equality, our selection process is non-discriminatory and is solely based on the employees' performance, experience and skills. Employees are also encouraged to discuss their targets in job advancement and career development with their senior management.

The Group regularly reviews our employee policy which outlines the Group's compensation, working hours, rest periods and other benefits and welfare. Additionally, we are fully committed to comply with the equal opportunities legislations as well as any relevant law and regulation and does not engage in any forced or child labour. The Group's Human Resource department keeps all employment contracts and relevant documentation on the details of our employees. The Board shall also undertake random check of the records. The Group has zero tolerance towards the use of child and forced labour and will eliminate such practices immediately when discovered.

At our Company, we treat every member of our employee as part of our big family, whether it is managerial, executive or rank-and-file employee positions. To induce a sense of belonging in our Company, various team bonding events were organised annually for staff to interact with each other out of the workplace.

To attract, retain and motivate employees, we are committed to offer professional development opportunities and a healthy work environment for all employees in office and on-site. One of our main tasks is to ensure the wage rates of our employees are reasonable and competitive among our peers in the market. In addition, our employees' total remuneration including basic salary and bonus system are unbiased and correlated with their individual performance.

We maintain high standards of business ethnics and sustains good personal conduct of our employee.

## EMPLOYEE HEALTH AND SAFETY

We recognise the importance of maintaining a safe, effective and congenial working environment and policies to provide sufficient protection for our staff. Hence, we have put various occupational health and safety measures and programs in place and regularly perform checks on the working environment, staff health, wellbeing and facilities.

Briefing, training and news are provided to our employees to raise their awareness and to refresh their knowledge and practices on health and safety matters.

In the Review Year, the Group does not have any work-related fatalities. We will continue to communicate safety precautions through briefings and guidelines to promote and enhance safety practices.

## SAFETY MANAGEMENT SYSTEM

Our occupational health and safety management system includes but is not limited to the following fundamental elements:

### 1. Hazard identification, risk assessment and controls' determination

We maintain a list of relevant occupational and health safety hazards, based on analysis of our services and works performed, inspection reports and incident reports. Upon identification of the potential hazards, a risk assessment will be carried out to designate certain potential hazards as significant. Particular attention will be paid to these significant hazards during our formulation and implementation of controls. The list of potential hazards is reviewed and changes are updated on an annual basis.

### 2. Competence, training and awareness

We allocate adequate resources and supervision commensurate with the size and the nature of its activities, and:

a) ensure personnel have the necessary competencies to carry out their responsibilities;

b) identify existing competencies actually required and any gaps between them at all levels within the organization, and provide any necessary training;

c) ensure persons under its control have the necessary awareness of Occupational Health & Safety ("OH&S")issues and are motivated to work or act in a safe manner.

### 3. Legal and regulatory compliance

We maintain a list of applicable OH&S regulations and ensure that this is up-to date. Changes to these rules and regulations will be communicated to our relevant departments and evaluation of our OH&S compliance will be carried out.

### 4. Objectives, targets and key performance indicators

The process of setting and reviewing objectives, and implementing programmes to achieve them, provides a mechanism for the organisation to continually improve its OH&S management system and to improve its OH&S performance.

Setting objectives is an integral part of the planning of an OH&S management system. We set objectives to fulfil the commitments established in its OH&S policy, including its commitments to the prevention of injury and ill health.

The objectives should be measurable, practicable, and consistent with the OH&S policy.

## TRAINING AND DEVELOPMENT

We are committed to providing staff training and development programmes designed to help our employees enhancing their knowledge and skills to meet the challenges of a changing era. The Group recognises that the knowledge and skills of our employees are vital to the Group's continued business development and success, we, therefore, encourage our staff to pursue further with their professional development. We nominate staff to attend both internal and external training programmes from time to time and when appropriate. Our training programmes range from professional and technical training to personal development skills. In addition, the Group provides adequate job training to employees in order to equip them with practical knowledge and skills to tackle situations and challenges encountered in diverse work sites. To continuously attract new talents, the Group also provides education subsidies to encourage our staff in further developing their skills and broaden their knowledge.

Below sets out the statistics relating to the employee training of the Group based on gender and types of position:

| | Gender | |
|---|---|---|
| | **Male** | **Female** |
| Number of employees | 150 | 7 |
| Approximate percentage to the total number of employees of the relevant gender | 47.2% | 24.1% |

| | Types of Positions | | | |
|---|---|---|---|---|
| | **Senior Management** | **Mid-Management** | **Professional Position** | **General Position** |
| Number of employees | 3 | 7 | 11 | 136 |
| Approximate percentage to the total number of employees of the relevant type of position | 42.9% | 50% | 17.2% | 51.9% |

| | Gender | |
|---|---|---|
| | **Male (hour)** | **Female (hour)** |
| Total training hours | 2,590 | 91 |
| Average number of training hours | 8.1 | 3.1 |

| | Types of Positions | | | |
|---|---|---|---|---|
| | **Senior Management** | **Mid-Management** | **Professional Position** | **General Workers** |
| Total training hours | 20 | 80.5 | 381.5 | 2,199 |
| Average number of training hours | 2.9 | 5.7 | 6.0 | 8.4 |

## OPERATING PRACTICES

### Supply chain management

The Group relies on suppliers and subcontractors to ensure the quality and execute our works on a timely and reliable basis, consistent with the project requirements of our customers. All our suppliers and subcontractors are based in Singapore, effectively mitigating carbon emissions that result from haulage and transportation. For projects where we are the main contractor, our subcontractors are required to adhere to our IMS policy. In managing the environmental and social risks of our supply chain, we will perform assessments on all our suppliers and subcontractors prior to engaging them and inclusion in our approved suppliers list and our approved subcontractors list (the "Approved Lists"). We also monitor and assess our suppliers and subcontractors annually whereby those with poor performance will be removed from our Approved Lists. One of the criteria in our assessment relates to the existence and performance of the suppliers' and subcontractors' environmental, health and safety system.

All materials delivered are examined by designated site staff before the Group accepts the materials. Materials which are found to be defective or of low qualities will be returned and replaced.

As of 31 December 2017, the Group has over 300 suppliers and ordering of supplies are diversified to reduce dependency on any one supplier.

### Service responsibility

We recognise that good customer services are the key influential factors to our success and sustainability. Therefore, we have set up a customer communication channel dedicated to handle customers' queries and feedbacks efficiently. Similarly, customer complaints are thoroughly investigated and root causes are identified and acted upon accordingly. Protecting and safe-guarding our customers' privacy have been one of our top agenda. Review and revision of the financial data and privacy policy are carried out regularly to ensure its effectiveness and compliance with relevant laws. Moreover, we acquired an ISO 9001 as an identification of our success in meeting customer expectations and delivering customer satisfaction. In the Review Year, he did not receive service-related customer complaints.

With regards to the protection of intellectual property rights, the Group complies with relevant regulations and insists to purchase and use licensed computer software and respects intellectual property rights. The Group has been in compliance with local laws and regulations in relation to intellectual property rights and data privacy that have a huge impact on the Group.

### Anti-corruption

We are committed to maintain the highest ethical standards and vigorously enforce the integrity of our business practices in all aspects of our operations. We have in place a policy to ensure our Groups and our employees comply with anti-bribery, anti-corruption and anti-money laundering laws and governmental guidance. Our Group and employees (i) are prohibited from paying or receiving a bribe of any kind; (ii) are prohibited from giving or offering anything of value to a public official; (iii) are required to comply with the Group's guidelines and authorisation levels in relation to the giving and receiving of gifts and hospitality; and (iv) fully comply with the applicable laws and regulations relating to anti-money laundering and terrorist financing.

The Group has in place a whistle-blowing policy to encourage and enable our employees to report suspected or confirmed violations relating to bribery, extortion, fraud and money laundering. An independent internal investigation team will be set up and details of the investigation will be reported to our Executive Directors.

In the Review Year, the Group does not have any legal case regarding corrupt practices brought against the Group or our employees.

## COMMUNITY

### Community investment

We actively seek opportunities to repay society and in hope of creating a better living environment for local community. For the upcoming year, we are looking to set aside an agreed amount allocated to donations charity and support for good causes depending on the profitability of our Group. We are also looking into planning a series of charitable events in the upcoming year to incubate the culture of participating in community work and giving back to the society.

# INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of BHCC HOLDING LIMITED**
*(Incorporated in the Cayman Islands with limited liability)*

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### Opinion

We have audited the consolidated financial statements of BHCC Holding Limited (the "Company") and its subsidiaries (herein referred to as the "Group") set out on pages 43 to 98, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("*IESBA Code*"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Contract Revenue Recognition (Note 6) and Accounting for Construction Contract (Note 20)**<br><br>The Group is involved in construction projects for which it applies the percentage-of-completion ("POC") to its contract revenue and cost in accordance with IAS 11 *Construction Contracts*.<br><br>The revenue and profit recognised in a year on these projects is dependent, amongst others, on the assessment of the POC and the total budgeted cost estimated for the project. POC is measured by actual costs incurred to date as compared to the total budgeted cost.<br><br>The uncertainty and subjectivity involved in determining the budgeted cost to complete and foreseeable losses may have a significant impact on the revenue and profit of the Group.<br><br>The Group's revenue recognition policy is set out in Note 4 to the consolidated financial statements. | We obtained an understanding of the projects under construction, evaluated the design and implementation of relevant controls and tested controls put in place by the Group in respect of revenue recognition.<br><br>We assessed the Group's revenue recognition practices to determine that they are in compliance with IAS 11 *Construction Contracts* including stages of completion and conducted site visits for major construction sites in-progress. |

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### Key audit matters (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Contract Revenue Recognition (Note 6) and Accounting for Construction Contract (Note 20) (Continued)** | For selected projects, our audit procedures included the following:<br><br>i. agreed projects contract sum to signed contracts and variation orders;<br><br>ii. assessed the reasonableness of cost incurred against our understanding of the projects;<br><br>iii. vouched the actual cost incurred during the year to details of supplier invoices and subcontractors to ensure the validity and accuracy of the costs;<br><br>iv. performed cut-off testing to verify contract costs were taken up in the appropriate financial year;<br><br>v. assessed and vouched the estimated cost to complete by substantiating costs that have been committed to quotations and contracts entered;<br><br>vi. performed retrospective review by comparing the total actual contract costs incurred at completion against the total budgeted contract costs to assess the reasonableness of the estimates used by the management;<br><br>vii. for projects in progress, we further recomputed the POC to test the accuracy of the POC to determine the revenue; and<br><br>viii. for projects completed during the year, we obtained the certificate of substantial completion and verified that the remaining revenue has been captured.<br><br>We then compared total contract revenue to actual cost incurred plus estimated cost to complete, and assessed for foreseeable losses and found to be appropriate.<br><br>We also examined the project documentation (including contracts effective during the financial period, terms and conditions) and discussed with management on the progress of significant projects to determine if there are any changes such as delays, penalties, overruns which may result in liquidated damages.<br><br>Based on our procedures above, we have assessed the Group's revenue and actual costs recognised in profit or loss to be appropriate. |

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### Information other than the consolidated financial statements and auditor's report thereon

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 the directors of the Company (the "directors") for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated financial statements.

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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

(a) Identify and assess the risks of material misstatement of the consolidated 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.

(b) 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.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) 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 consolidated 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.

(e) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) 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.

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Tay Hwee Ling.

**Deloitte & Touche LLP**
*Public Accountants and Chartered Accountants*
Singapore
28 March 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

| | Note | **2017** **S$** | 2016 S$ |
|---|---|---|---|
| Revenue | 6 | **143,955,670** | 176,367,215 |
| Cost of services | | **(129,545,045)** | (165,162,254) |
| **Gross profit** | | **14,410,625** | 11,204,961 |
| Other income | 7a | **618,772** | 1,029,931 |
| Other gains and losses | 7b | **(272,747)** | 13,657 |
| Other expenses | 7c | **(3,383,311)** | (199,148) |
| Selling expenses | | **(31,946)** | (59,360) |
| Administrative expenses | | **(2,783,930)** | (2,592,710) |
| Finance costs | 8 | **(116,796)** | (31,136) |
| **Profit before taxation** | | **8,440,667** | 9,366,195 |
| Income tax expense | 9 | **(2,233,554)** | (1,526,333) |
| **Profit and total comprehensive income for the year** | 10 | **6,207,113** | 7,839,862 |
| **Profit attributable to:** | | | |
| Owners of the company | | **5,215,355** | 7,705,432 |
| Non-controlling interest | | **991,758** | 134,430 |
| | | **6,207,113** | 7,839,862 |
| **Basic and diluted earnings per share** *(S$ cents)* | 13 | **0.79** | 1.41 |

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

| | Note | 2017 S$ | 2016 S$ |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **14,284,462** | 2,573,297 |
| Intangible asset | 15 | **175,000** | 175,000 |
| Available-for-sale investments | 16 | **2,724,910** | 2,724,910 |
| Investment properties | 17 | **5,285,094** | — |
| Deposits paid for acquisition of property or land | | **—** | 6,377,213 |
| Deposits paid for performance bond | 19 | **1,360,390** | — |
| | | **23,829,856** | 11,850,420 |
| **Current assets** | | | |
| Trade receivables | 18 | **17,592,755** | 21,809,619 |
| Other receivables and deposits | 19 | **1,452,053** | 1,103,161 |
| Amounts due from customers for construction work | 20 | **2,771,130** | 851,457 |
| Amounts due from related companies | 21a | **3,748,877** | 11,956,199 |
| Amount due from shareholders | 21d | **182** | — |
| Bank balances and cash | 22 | **32,231,219** | 29,729,924 |
| | | **57,796,216** | 65,450,360 |
| **Current liabilities** | | | |
| Trade and other payables | 23 | **(29,751,417)** | (34,298,233) |
| Amount due to customers for construction work | 20 | **(4,240,761)** | (12,555,796) |
| Amounts due to related companies | 21b | **—** | (1,914,480) |
| Amount due to directors | 21c | **—** | (35,096) |
| Amounts due to a shareholder | 21d | **—** | (93,865) |
| Obligations under finance leases | 24 | **—** | (69,875) |
| Borrowings | 25 | **(292,101)** | (182,025) |
| Income tax payable | | **(2,079,450)** | (1,613,708) |
| | | **(36,363,729)** | (50,763,078) |
| **Net current assets** | | **21,432,487** | 14,687,282 |
| **Total assets less current liabilities** | | **45,262,343** | 26,537,702 |

As at 31 December 2017

| | Note | 2017<br>S$ | 2016<br>S$ |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Obligations under finance leases | 24 | — | (42,118) |
| Borrowings | 25 | **(5,921,675)** | (3,949,816) |
| Deferred tax liabilities | 26 | **(305,000)** | (282,000) |
| | | **(6,226,675)** | (4,273,934) |
| **Net assets** | | **39,035,668** | 22,263,768 |
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | 27 | **1,389,830** | 10,680,000 |
| Reserves | | **37,645,838** | 7,099,338 |
| Equity attributable to owners of the Company | | **39,035,668** | 17,779,338 |
| Non-controlling interest | | — | 4,484,430 |
| | | **39,035,668** | 22,263,768 |

The consolidated financial statements on pages 43 to 98 were approved and authorised for issue by the Board of Directors on Wednesday, 28 March 2018 and are signed on its behalf by:

**Yang Xinping**
*Chairman and Executive Director*

**Han Yuying**
*Executive Director*

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

| | Share capital S$ | Share premium (Note a) S$ | Merger reserve (Note b) S$ | Capital reserve (Note c) S$ | Accumulated profits S$ | Sub-total S$ | Non-controlling interest S$ | Total S$ |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2016** | 6,530,000 | — | — | — | 4,243,906 | 10,773,906 | — | 10,773,906 |
| Total comprehensive income for the year: | | | | | | | | |
| Profit for the year | — | — | — | — | 7,705,432 | 7,705,432 | 134,430 | 7,839,862 |
| Transactions with owners, recognised directly in equity: | | | | | | | | |
| Issue of share capital *(Note 27)* | 800,000 | — | — | — | — | 800,000 | — | 800,000 |
| Capitalisation | 3,350,000 | — | — | — | (3,350,000) | — | — | — |
| Issue of share capital to a non-controlling shareholder *(Note 27)* | — | — | — | — | — | — | 4,350,000 | 4,350,000 |
| Dividend *(Note 12)* | — | — | — | — | (1,500,000) | (1,500,000) | — | (1,500,000) |
| Total | 4,150,000 | — | — | — | (4,850,000) | (700,000) | 4,350,000 | 3,650,000 |
| **Balance at 31 December 2016** | **10,680,000** | **—** | **—** | **—** | **7,099,338** | **17,779,338** | **4,484,430** | **22,263,768** |
| Total comprehensive income for the year: | | | | | | | | |
| Profit for the year | **—** | **—** | **—** | **—** | **5,215,355** | **5,215,355** | **991,758** | **6,207,113** |
| Transactions with owners, recognised directly in equity: | | | | | | | | |
| Issue of shares pursuant to the reorganisation *(Notes 2 and 27a,b,c)* | **1,742** | **—** | **10,678,440** | **—** | **—** | **10,680,182** | **—** | **10,680,182** |
| Elimination of share capital pursuant to the reorganisation *(Note 2)* | **(10,680,000)** | **—** | **—** | **—** | **—** | **(10,680,000)** | **—** | **(10,680,000)** |
| Transfer of non-controlling interest pursuant to the reorganisation *(Note 2)* | **—** | **—** | **—** | **4,976,188** | **—** | **4,976,188** | **(4,976,188)** | **—** |
| Issue of shares under the capitalisation issue *(Note 27d)* | **1,040,632** | **(1,040,632)** | **—** | **—** | **—** | **—** | **—** | **—** |
| Issue of shares under the Share Offer *(Note 27e)* | **347,456** | **17,025,358** | **—** | **—** | **—** | **17,372,814** | **—** | **17,372,814** |
| Share issue expenses | **—** | **(1,808,209)** | **—** | **—** | **—** | **(1,808,209)** | **—** | **(1,808,209)** |
| Dividends *(Note 12)* | **—** | **—** | **—** | **—** | **(4,500,000)** | **(4,500,000)** | **(500,000)** | **(5,000,000)** |
| Total | **(9,290,170)** | **14,176,517** | **10,678,440** | **4,976,188** | **(4,500,000)** | **16,040,975** | **(5,476,188)** | **10,564,787** |
| **Balance at 31 December 2017** | **1,389,830** | **14,176,517** | **10,678,440** | **4,976,188** | **7,814,693** | **39,035,668** | **—** | **39,035,668** |

*Note:*

a. Share premium represents the excess of share issue over the par value.

b. Merger reserve represents the difference between the cost of acquisition pursuant to the reorganisation (Notes 2 and 27) and the total value of share capital of the entities acquired.

c. Capital reserve represents the share capital contribution and attributable profit of the non-controlling interest pursuant to the Group Reorganisation in Note 2.

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| **Operating activities** | | |
| Profit before taxation | 8,440,667 | 9,366,195 |
| *Adjustments for:* | | |
| Depreciation of property, plant and equipment | 1,165,292 | 751,599 |
| Depreciation of investment properties | 28,727 | — |
| Loss on disposal of property, plant and equipment | 4,212 | 10,555 |
| Finance costs | 116,796 | 31,136 |
| Interest income | (146,774) | (130,992) |
| Unrealised exchange loss (gain) | 268,535 | (24,212) |
| Operating cash flows before working capital changes | 9,877,455 | 10,004,281 |
| *Movements in working capital:* | | |
| Decrease in trade receivables | 4,216,864 | 12,081,837 |
| (Increase) Decrease in other receivables and deposits | (1,680,438) | 448,023 |
| (Increase) Decrease in amount due from customers for construction work | (1,919,673) | 43,615 |
| Decrease (Increase) in amounts due from related companies | 8,185,582 | (11,792,673) |
| (Decrease) Increase in trade and other payables | (5,488,612) | 6,402,991 |
| (Decrease) Increase in amounts due to related companies | (1,889,619) | 646,007 |
| Decrease in amounts due to customers for construction work | (8,315,035) | (7,123,090) |
| Cash generated from operations | 2,986,524 | 10,710,991 |
| Income tax paid | (1,744,812) | (156,714) |
| **Net cash from operating activities** | 1,241,712 | 10,554,277 |
| **Investing activities** | | |
| Purchase of property, plant and equipment *(Note 36)* | (3,129,035) | (556,079) |
| Purchase of investment property | (5,397,543) | — |
| Purchase of intangible asset | — | (175,000) |
| Proceeds from disposal of property, plant and equipment | 5,588 | 6,727 |
| Repayment from a shareholder | — | 14,696 |
| Repayment from related companies | 21,740 | — |
| Interest received | 117,930 | 130,992 |
| **Net cash used in investing activities** | (8,381,320) | (578,664) |

For the financial year ended 31 December 2017

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| **Financing activities** | | |
| Interest paid | **(116,796)** | (31,136) |
| Repayments of borrowings | **(272,556)** | (68,767) |
| Repayments of finance leases | **(111,993)** | (43,778) |
| Advances from related companies | **46,523** | 850 |
| Repayment of advances from related companies | **(71,384)** | — |
| (Repayment of advances from) advances from directors | **(35,096)** | 35,096 |
| Advances from a shareholder | **354,814** | 261,019 |
| Repayment to a shareholder | **(448,679)** | (167,154) |
| Dividends paid | **(5,000,000)** | (3,896,460) |
| Proceeds from issue of new shares | **17,372,814** | 5,150,000 |
| Listing expenses paid | **(1,808,209)** | — |
| **Net cash from financing activities** | **9,909,438** | 1,239,670 |
| Net increase in cash and cash equivalents | **2,769,830** | 11,215,283 |
| Cash and cash equivalents at beginning of the year | **29,729,924** | 18,490,429 |
| Effect of foreign exchange rate changes on the balance of cash | **(268,535)** | 24,212 |
| **Cash and cash equivalents at end of the year, represented by bank balances and cash** | **32,231,219** | 29,729,924 |

See accompanying notes to consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 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 and the principal place of business in Hong Kong registered is 19th Floor, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong. The head office and principal place of business of the Group is at 20 Sin Ming Lane, #06-66, Midview City, Singapore 573968. 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 Mdm. 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 details of the subsidiaries are set out in Note 31.

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 of Directors of the Company on 28 March 2018.

## 2 GROUP REORGANISATION AND BASIS OF PREPARATION

To effect the group reorganisation ("Group Reorganisation") for the purpose of the listing of the Company's shares on the Main Board of the Stock Exchange:

(i) An investment holding company, Lion Metro Holdings Limited ("Lion Metro"), was incorporated in the BVI on 6 January 2017 and subsequently became a direct wholly-owned subsidiary of the Company following the allotment and issue of one share of par value US$1 each to the Company, credited as fully paid.

(ii) Huada Developments, Eagle Soar and Wai Tian Holdings Limited ("Wai Tian"), a company controlled by Mr. Zhan Lixiong, subscribed for 68,100 new shares, 22,725 new shares and 9,100 new shares, all in nil paid form, with a par value of HK$0.01 each, representing 68.175%, 22.725% and 9.1% of the entire issued share capital of the Company as enlarged by the subscription shares respectively.

(iii) BHCC Investment (Tampines) Pte. Ltd., was incorporated in Singapore with limited liability, of which 2 shares in this company were allotted and issued to BHCC Construction Pte. Ltd. ("BHCC Construction"), credited as fully paid. The company changed its name to BHCC Space Pte. Ltd. ("BHCC Space").

## 2 GROUP REORGANISATION AND BASIS OF PREPARATION (CONTINUED)

(iv) Each of the individual shareholders, who were the then beneficial shareholders of BHCC Construction, transferred their respective shareholdings to Lion Metro in return for the Company allotting and issuing 442,260 new shares and 110,565 new shares to Huada Developments at the directions of Mr. Yang Xinping and Ms. Chao Jie, and 184,275 new shares to Eagle Soar at the direction of Ms. Han Yuying and 81,900 new shares to Wai Tian at the direction of Mr. Zhan Lixiong, respectively, all with a par value of HK$0.01 each, credited as fully paid. After completion of the above share transfer, BHCC Construction became an indirect wholly-owned subsidiary of the Company.

(v) The Controlling Shareholders, who were the then beneficial shareholders of Wan Yoong Construction Pte. Ltd. ("Wan Yoong"), transferred their respective shareholdings to Lion Metro in return for the Company allotting and issuing 48,600 new shares and 12,150 new shares to Huada Developments at the directions of Mr. Yang Xinping and Ms. Chao Jie, and 20,250 new shares to Eagle Soar at the direction of Ms. Han Yuying, all with a par value of HK$0.01 each, credited as fully paid. After completion of the above share transfer, Wan Yoong became an indirect wholly-owned subsidiary of the Company.

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 as if the group structure upon the completion of the Group Reorganisation had been in existence throughout the period, or since their respective dates of incorporation or establishment where this is a shorter period.

## 3 APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

On 1 January 2017, the Group has adopted all the new and revised IFRSs and Interpretations of IFRS ("INT IFRS") that are effective and relevant to its operations. The adoption of these new/revised IFRSs and INT IFRSs does not result in significant changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior periods.

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 9 | *Financial Instruments*[1] |
| IFRS 15 | *Revenue from Contracts with Customers* (and the related Clarifications)[1] |
| IFRS 16 | Leases[2] |
| IFRIC 22 | *Foreign Currency Transactions and Advance Considerations*[1] |
| IFRIC 23 | *Uncertainty over Income Tax Treatments*[2] |
| Amendments to IAS 40 | *Transfers of Investment Properties*[1] |
| Amendments to IFRSs | *Annual Improvements to IFRS Standards 2014-2016 Cycle*[1] |

1 Effective for annual periods beginning on or after 1 January 2018, with early application permitted.

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

## 3 APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Except as described below, the management of the Group considers that the application of the other new and revised standards and amendments is unlikely to have a material impact on the Group's financial position and performance as well as disclosure.

### IFRS 9 *Financial Instruments*

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at "fair value through other comprehensive income" (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39 *Financial Instruments: Recognition and Measurement*, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

## 3 APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

### IFRS 9 *Financial Instruments* (Continued)

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Group have assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

#### *Classification and measurement*

- Available-for-sale investments, stated at cost less impairment as disclosed in Note 16 qualifies for designation as measured at FVTOCI under IFRS 9.

- All other financial assets and financial liabilities will continue to be measured as the same bases as currently adopted under IAS 39.

#### *Impairment*

Financial assets measured at amortised cost or FVTOCI will be subject to the impairment provisions of IFRS 9. The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade and other receivables. In general, the directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

## 3 APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

### IFRS 15 *Revenue from Contracts with Customers*

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, Amendments to IFRS 15 were issued to add clarifications to (i) identifying performance obligations, (ii) principal versus agent considerations, and (iii) licensing application guidance. Amendments also included two additional transition reliefs on contract modifications and completed contracts.

The Group has performed a review of the existing contractual arrangements with its customers as at 31 December 2017 and the directors of the Group anticipate that the application of IFRS 15 in the future may result in more disclosures but will not have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

## 3 APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

### 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. 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 2017, the Group has non-cancellable operating lease commitments of S$202,182 as disclosed in Note 28. 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.

## 4 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the applicable disclosures required by the Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of consolidation (Continued)

***Merger accounting for business combination involving entities under common control***

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses, as appropriate, from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is earlier.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

***(i) Revenue from provision of building and construction works***

Revenue from building and construction works is recognised in accordance with the Group's accounting policy on construction contracts (see below construction contracts policy).

***(ii) Interest income***

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

***(iii) Rental income***

Rental income is recognised, on a straight-line basis, over the terms of the respective leases.

***(iv) Service income***

Service income is recognised when the services are provided.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### Retirement benefit costs

Payments made to Central Provident Fund ("CPF") are recognised as expense when employees have rendered service entitling them to the contributions.

### Short-term and long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deduction any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service costs, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property, plant and equipment

Property, plant and equipment, including leasehold properties, held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Assets under construction included in property, plant and equipment mainly relate to all directly attributable costs incurred for the construction of warehouse properties. Assets under construction are not depreciated as these assets are not yet available for use. Depreciation will commence when these assets are ready for use.

### Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment loss.

Depreciation is recognised so as to write off the cost of items of investment properties less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

### Impairment of tangible and intangible assets

At the end of each reporting period, the management of the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating-units, or otherwise they are allocated to the smallest group of cash-generating-units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

# 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## Impairment of tangible and intangible assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

## Financial instruments

Financial assets and liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate, on initial recognition.

## Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

The Group's financial assets are classified into "available-for-sales" and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

### *Available-for-sale financial assets ("AFS")*

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial assets (Continued)

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, bank balances and cash, pledged bank deposits, and amounts due from related companies) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting would be immaterial.

***Impairment loss on financial assets***

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets held by the Group, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or

- Breach of contract, such as a default or delinquency in interest or principal payments; or

- It becoming probable that the counterparty will enter bankruptcy or financial reorganisation

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial assets (Continued)

***Impairment loss on financial assets (Continued)***

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

***Financial liabilities***

Financial liabilities (including trade and other payables, and amounts due to related companies, directors, and Controlling Shareholders) are subsequently measured at amortised cost, using the effective interest method except for short-term payables where the effect of discounting would be immaterial.

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the group’s accounting policy for borrowing costs (see above).

***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of the group companies after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payment (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred financial asset, the Group continues to recognise to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the consolidated financial statements when the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

### Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period.

The stage of completion is measured by contract cost incurred to date as compared to the estimated total contract costs.

Variations in contract work and claims are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are expected to be recoverable from the customers. Contract costs are recognised as expense in the period in which they are incurred.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Construction contracts (Continued)

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Costs of construction contracts include costs that relate directly to the specific contract and costs that are attributable to contract activity and can be allocated to the contract. Such costs include but are not limited to material, labour, depreciation, hire of equipment, interest expense, subcontract cost and estimated costs of rectification and guarantee work, including expected warranty costs.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for construction works. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for construction works. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessor*

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

***The Group as lessee***

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs (see above). Contingent rentals are recognised as expenses in the period in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### Foreign currency transactions and translation

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore Dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period.

## 5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group's management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

### Construction contracts (Note 20)

The Group recognises contract revenue and contract costs using the percentage of completion method. The percentage of completion is measured by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs.

The estimated total contract cost is based on contracted amounts, and in respect of amounts not contracted for, management's estimates of the amounts to be incurred taking into consideration historical trends of the amounts incurred and adjusted for any price fluctuations during the year, where applicable. Significant assumptions are required in estimating the total contract costs which affect the contract cost recognised to-date based on the percentage of completion. Total contract revenue also includes estimation for variation works that are recoverable from customers. In making these estimates, the Group relies on past experience and the work of surveyors. In addition, the valuation of construction contracts can be subject to uncertainty in respect of variation works and estimation of future costs.

Management reviews the construction contracts for foreseeable losses whenever there is an indication that the estimated contract revenue is lower than the estimated total contract cost. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

### Estimated impairment of receivables (Note 18)

Management assesses at the end of each reporting period whether there is any objective evidence that trade receivables are impaired. If there is objective evidence that an impairment loss on trade receivables has been incurred, the amount of loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. The amount of the loss is recognised in profit or loss. Where the loss subsequently reverses, the reversal is recognised in profit or loss.

## 6 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 described in Note 4. 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:

| | **2017** **S$** | 2016 S$ |
|---|---|---|
| Revenue from: | | |
| Main Contractor Projects | **121,367,653** | 146,970,798 |
| Subcontractor Projects | **22,588,017** | 29,396,417 |
| | **143,955,670** | 176,367,215 |

### Information about the major customers

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

| | **2017** **S$** | 2016 S$ |
|---|---|---|
| Customer A | **86,073,841** | 62,608,444 |
| Customer B | **27,699,891** | 31,633,077 |
| Customer C | **—*** | 26,957,849 |
| Customer D | **—*** | 25,652,071 |

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

### 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.

## 7 a. OTHER INCOME

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Government grants (Note) | **353,154** | 743,760 |
| Sale of scrap material, net | **—** | 30,340 |
| Service income on secondment of labour and subcontracting fee, net | **81,944** | 17,391 |
| Interest income | **146,774** | 130,992 |
| Rental income | **15,200** | 8,000 |
| Others | **21,700** | 99,448 |
| | **618,772** | 1,029,931 |

*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$200,000 for the financial year ended 31 December 2017 (2016: S$547,740).

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$21,490 for the financial year ended 31 December 2017 (2016: S$67,630).

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

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Loss arising on disposal of property, plant and equipment | **(4,212)** | (10,555) |
| Exchange (loss) gain, unrealised | **(268,535)** | 24,212 |
| | **(272,747)** | 13,657 |

## c. OTHER EXPENSES

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Listing expenses | **3,383,311** | 199,148 |

## 8 FINANCE COSTS

| | **2017 S$** | 2016 S$ |
|---|---|---|
| Interest on: | | |
| Bank borrowings | **114,860** | 30,045 |
| Obligations under finance leases | **1,936** | 1,091 |
| | **116,796** | 31,136 |

## 9 INCOME TAX EXPENSE

| | **2017 S$** | 2016 S$ |
|---|---|---|
| Tax expense comprises: | | |
| Current tax | | |
| — Singapore corporate income tax ("CIT") | **2,079,450** | 1,382,333 |
| — Under provision of prior years' tax | **131,104** | — |
| Deferred tax expense *(Note 26)* | **23,000** | 144,000 |
| | **2,233,554** | 1,526,333 |

Singapore CIT is calculated at 17% of the estimated assessable profit eligible for CIT rebate of 50%, capped at S$25,000 for the Year of Assessment 2017, and adjusted to 40%, capped at S$15,000 for the Year of Assessment 2018. 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:

| | **2017 S$** | 2016 S$ |
|---|---|---|
| Profit before taxation | **8,440,667** | 9,366,195 |
| Tax at applicable tax rate of 17% | **1,434,913** | 1,592,253 |
| Effect of different tax rate of the Company operating in other jurisdiction | **643,666** | — |
| Tax effect of expenses not deductible for tax purpose | **79,345** | 62,644 |
| Effect of tax concessions and partial tax exemptions | **(40,925)** | (50,925) |
| Tax effect of enhanced allowance *(Note)* | **(20,341)** | (76,844) |
| Under provision of prior years' tax | **131,104** | — |
| Others | **5,792** | (795) |
| Taxation for the year | **2,233,554** | 1,526,333 |

*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 and 2017.

## 10 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

| | **2017** | 2016 |
|---|---|---|
| | **S$** | S$ |
| Depreciation of property, plant and equipment *(Note a)* | **1,165,292** | 751,599 |
| Depreciation of investment properties | **28,727** | — |
| Audit fees paid to auditors of the Company: | | |
| — Annual audit fees | **150,000** | 65,000 |
| — Audit fees in connection with the listing of the Company *(Note c)* | **80,250** | 127,000 |
| Non-audit fees paid to auditors of the Company *(Note c)*: | **50,250** | — |
| Listing expenses *(Note c)* | **3,383,311** | 199,148 |
| Directors' remuneration *(Note 11)* | **914,501** | 894,680 |
| Other staff costs | | |
| — Salaries and other benefits | **8,534,451** | 8,176,993 |
| — Contributions to CPF | **488,133** | 563,066 |
| Total staff costs *(Note b)* | **9,937,085** | 9,634,739 |
| Cost of materials recognised as cost of services | **25,131,037** | 27,248,758 |
| Subcontractor costs recognised as cost of services | **79,237,161** | 113,799,084 |

*Note:*

a. Depreciation of S$729,521 (2016: S$598,946) are included in cost of services.

b. Staff costs of S$9,038,336 (2016: S$7,853,278) are included in cost of services.

c. Included in listing expenses are audit and non-audit fees of S$80,250 and S$50,250 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.

## 11 DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

### Directors' emoluments

Mr. Yang Xinping and Ms. Han Yuying were re-designated and appointed (as the case may be) as executive directors of the Company on 31 March 2017 respectively. Ms. Chan Bee Leng, Mr. Ooi Soo Liat, and Ms. Li Xueling, Sharlene were appointed as independent non-executive directors of the Company on 17 August 2017.

The emoluments paid or payable to the directors of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) by entities comprising the Group are as follows:

***Year ended 31 December 2017***

| | Fees<br>S$ | Discretionary bonus *(Note a)*<br>S$ | Salaries and allowances<br>S$ | Contributions to retirement benefit scheme *(Note b)*<br>S$ | Total<br>S$ |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| Mr. Yang Xinping | 100,000 | 66,000 | 264,000 | 17,340 | 447,340 |
| Ms. Han Yuying | 100,000 | 66,000 | 264,000 | 17,340 | 447,340 |
| **Independent Non-Executive Directors** | | | | | |
| Ms. Chan Bee Leng | 6,607 | — | — | — | 6,607 |
| Mr. Ooi Soo Liat | 6,607 | — | — | — | 6,607 |
| Ms. Li Xueling, Sharlene | 6,607 | — | — | — | 6,607 |
| | 219,821 | 132,000 | 528,000 | 34,680 | 914,501 |

## 11 DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (CONTINUED)

### Directors' emoluments (Continued)

***Year ended 31 December 2016***

| | Fees<br>S$ | Discretionary bonus *(Note a)*<br>S$ | Salaries and allowances<br>S$ | Contributions to retirement benefit scheme *(Note b)*<br>S$ | Total<br>S$ |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| Mr. Yang Xinping | 100,000 | 66,000 | 264,000 | 17,340 | 447,340 |
| Ms. Han Yuying | 100,000 | 66,000 | 264,000 | 17,340 | 447,340 |
| | 200,000 | 132,000 | 528,000 | 34,680 | 894,680 |

*Note:*

a. The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

b. No other retirement benefits were paid to Mr. Yang Xinping and Mr. Han Yuying in respect of their respective other services in connection with the management of the affairs of the Company or its subsidiaries undertaking.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Group.

None of the directors have waived any emoluments during the reporting period.

### Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2016: two) were directors of the Company during the year ended 31 December 2017 whose emoluments are included in the disclosures above. The emoluments of the remaining three (2016: three) individuals were as follows:

| | **2017**<br>**S$** | 2016<br>S$ |
|---|---|---|
| Salaries and allowances | **549,900** | 535,425 |
| Discretionary bonus | **118,200** | 118,200 |
| Contributions to retirement benefits scheme | **52,020** | 52,020 |
| | **720,120** | 705,645 |

## 11 DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (CONTINUED)

### Employees' emoluments (Continued)

Their emoluments were within the following bands presented in Hong Kong Dollars ("HK$"):

| | Number of Employees | |
|---|---|---|
| | **2017** | 2016 |
| **Emolument bands** | | |
| HK$1,000,001 to HK$1,500,000 | **3** | 3 |
| | **3** | 3 |

During both reporting periods, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

## 12 DIVIDENDS

During the year ended 31 December 2016, BHCC Construction declared and paid interim dividends of S$1,500,000 (S$0.23 per share) to its then shareholders in respect of the financial year ended 31 December 2016, prior to issuances of new shares to the new shareholder.

During the year ended 31 December 2017, BHCC Construction declared and paid interim dividends of S$5,000,000 (S$0.33 per share) to its then shareholders in respect of the financial year ended 31 December 2016, before the Group Reorganisation. No other dividend has been declared by the Company or group entities during the year or subsequent to the year end.

## 13 EARNINGS PER SHARE

| | **2017** | 2016 |
|---|---|---|
| Profit attributable to the owners of the Company (S$) | **5,215,355** | 7,705,432 |
| Weighted average number of ordinary shares in issue | **660,821,907** | 545,399,925 |
| Basic and diluted earnings per share (S$ cents) | **0.79** | 1.41 |

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. The number of shares for the purpose of basic earnings per share for the year ended 31 December 2016 is based on 545,399,925 shares, which were issued pursuant to the reorganisation and capitalisation issue as detailed in Note 27, excluding non-controlling shareholder's interest, and deemed to have been issued since 1 January 2016.

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 2017 and 2016.

## 14 PROPERTY, PLANT AND EQUIPMENT

| | Plant and machinery S$ | Computers S$ | Motor vehicles S$ | Furniture and fittings S$ | Freehold properties S$ | Leasehold land S$ | Asset under construction S$ | Total S$ |
|---|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | | |
| **At 1 January 2016** | 3,418,470 | 288,052 | 723,076 | 143,792 | — | — | — | 4,573,390 |
| Additions | 340,056 | 131,438 | 230,985 | — | — | — | — | 702,479 |
| Disposals | (22,600) | — | — | — | — | — | — | (22,600) |
| Write-offs | (7,179) | (181,035) | — | (3,493) | — | — | — | (191,707) |
| **At 31 December 2016** | **3,728,747** | **238,455** | **954,061** | **140,299** | **—** | **—** | **—** | **5,061,562** |
| Additions | **328,304** | **74,429** | **77,923** | **8,900** | **9,673,500** | **7,204,600** | **832,422** | **18,200,078** |
| Disposals | **(21,900)** | **—** | **—** | **—** | **—** | **—** | **—** | **(21,900)** |
| Reclassification *(Note 17)* | **—** | **—** | **—** | **—** | **(5,397,543)** | **—** | **—** | **(5,397,543)** |
| **At 31 December 2017** | **4,035,151** | **312,884** | **1,031,984** | **149,199** | **4,275,957** | **7,204,600** | **832,422** | **17,842,197** |
| **Accumulated depreciation:** | | | | | | | | |
| **At 1 January 2016** | 1,144,490 | 217,277 | 498,634 | 73,290 | — | — | — | 1,933,691 |
| Charge for the year | 532,815 | 61,764 | 143,549 | 13,471 | — | — | — | 751,599 |
| Elimination on disposals | (5,318) | — | — | — | — | — | — | (5,318) |
| Elimination on write-off | (7,179) | (181,035) | — | (3,493) | — | — | — | (191,707) |
| **At 31 December 2016** | **1,664,808** | **98,006** | **642,183** | **83,268** | **—** | **—** | **—** | **2,488,265** |
| Charge for the year | **601,110** | **78,040** | **88,603** | **14,601** | **172,804** | **210,134** | **—** | **1,165,292** |
| Elimination on disposals | **(12,100)** | **—** | **—** | **—** | **—** | **—** | **—** | **(12,100)** |
| Reclassification *(Note 17)* | **—** | **—** | **—** | **—** | **(83,722)** | **—** | **—** | **(83,722)** |
| **At 31 December 2017** | **2,253,818** | **176,046** | **730,786** | **97,869** | **89,082** | **210,134** | **—** | **3,557,735** |
| **Carrying amount:** | | | | | | | | |
| At 31 December 2016 | 2,063,939 | 140,449 | 311,878 | 57,031 | — | — | — | 2,573,297 |
| At 31 December 2017 | **1,781,333** | **136,838** | **301,198** | **51,330** | **4,186,875** | **6,994,466** | **832,422** | **14,284,462** |

## 14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following useful lives after taking into account the residual values:

| | |
|---|---|
| Plant and machinery | 3 to 10 years |
| Computers | 3 years |
| Motor vehicles | 5 years |
| Furniture and fittings | Shorter of 3 to 10 years, or remaining lease period |
| Freehold properties | 40 years |
| Leasehold land | 20 years |

Freehold properties consist of two strata title light industrial units located at 11 Irving Place, Singapore, 369551.

The carrying value of below items are assets held under finance leases:

| | **2017 S$** | 2016 S$ |
|---|---|---|
| Plant and machinery | — | 136,056 |
| Motor vehicles | — | 76,036 |
| | — | 212,092 |

## 15 INTANGIBLE ASSET

The intangible asset represents the club membership in Singapore Island Country Club that is held for long-term purposes. The membership is stated at cost less impairment. It has indefinite useful life and is not amortised.

## 16 AVAILABLE-FOR-SALE INVESTMENTS

| | **2017 S$** | 2016 S$ |
|---|---|---|
| Unquoted equity investment, at cost | **100,000** | 100,000 |
| Quasi-capital loan | **2,624,910** | 2,624,910 |
| | **2,724,910** | 2,724,910 |

The balance represents paid-up capital for 10% equity interest and additional capital contribution made to Singhome (Paya Lebar) Pte. Ltd. where the repayment is up to the discretion of the investee. The investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is significant and accordingly the fair values cannot be measured reliably.

## 17 INVESTMENT PROPERTIES

| | 2017<br>S$ | 2016<br>S$ |
|---|---:|---:|
| **Cost:** | | |
| At beginning of the year | — | — |
| Reclassification *(Note 14)* | 5,397,543 | — |
| At end of the year | 5,397,543 | — |
| **Accumulated depreciation:** | | |
| At beginning of the year | — | — |
| Reclassification *(Note 14)* | 83,722 | — |
| Charge for the year | 28,727 | — |
| At end of the year | 112,449 | — |
| **Carrying amount:** | | |
| At end of the year | 5,285,094 | — |

The above investment properties is depreciated on a straight-line basis over 40 years.

The Group's property interests held under operating lease to earn rental income are classified and accounted for as investment properties and measured using the cost model.

As at 31 December 2017, the fair values of the investment properties amounted to S$7,300,000 and is categorised within level 3 of the fair value hierarchy. The fair values were determined using the comparison approach, where it is based on comparable market transactions that considered the sales of similar properties that have been transferred in the open market with the significant unobservable input being the price per square metre where any significant isolated increases (decreases) in this input would result in a significantly higher (lower) fair value measurement.

In estimating the fair value of the properties, the highest and best use of the properties is its current state was used.

The property rental income from the Group's investment properties all of which are leased out under operating leases, amounted to S$15,200 (2016: nil). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment properties amounted to S$5,531 (2016: nil).

## 18 TRADE RECEIVABLES

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Trade receivables | **1,381,724** | 7,332,069 |
| Unbilled revenue *(Note a)* | **11,378,557** | 8,853,541 |
| Retention receivable *(Note b)* | **4,832,474** | 5,624,009 |
| | **17,592,755** | 21,809,619 |

*Note:*

a. Unbilled revenue are those accrued revenue which the construction certification is issued by the customers but no billing has been raised to customers.

b. Retention monies withheld by customers of construction works are released after the completion of maintenance period of the relevant contracts, which is usually 12 months from the completion date, and are classified as current as they are expected to be received within the Group's normal operating cycle. The carrying amounts approximate to the amounts expected to be realised at respective date of settlement.

The Group grants credit terms to customers typically between 30 to 60 days (2016: 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:

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Within 60 days | **1,257,670** | 7,310,652 |
| 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** | 21,417 |
| | **1,381,724** | 7,332,069 |

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.

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 are of good credit quality and that no impairment allowance is necessary in respect of the remaining unsettled balances.

## 18 TRADE RECEIVABLES (CONTINUED)

Included in the Group's trade receivables are carrying amounts of approximately S$60,819 which are past due at 31 December 2017 (2016: S$384,010), 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 year end:

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Less than 60 days | 38,974 | 362,593 |
| 61 to 90 days | 428 | — |
| 91 to 180 days | — | — |
| More than 180 days | 21,417 | 21,417 |
| | 60,819 | 384,010 |

## 19 OTHER RECEIVABLES AND DEPOSITS

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| **Current** | | |
| Deposits | 227,808 | 418,802 |
| Deposits paid for performance bond | 454,500 | — |
| Sundry debtors | 89,267 | 493,565 |
| Goods and Service Tax ("GST") receivable | 625,720 | 131,851 |
| Others | 54,758 | 58,943 |
| | 1,452,053 | 1,103,161 |
| **Non-current** | | |
| Deposits paid for performance bond | 1,360,390 | — |

## 20 AMOUNTS DUE FROM CUSTOMERS FOR CONSTRUCTION WORK

| | 2017 S$ | 2016 S$ |
|---|---|---|
| Contract cost incurred plus recognised profits less recognised losses | **220,063,475** | 243,143,967 |
| Less: Progress billings | **(221,533,106)** | (254,848,306) |
| | **(1,469,631)** | (11,704,339) |
| **Analysed for reporting purposes as:** | | |
| Amounts due from customers for construction works | **2,771,130** | 851,457 |
| Amounts due to customers for construction works | **(4,240,761)** | (12,555,796) |
| | **(1,469,631)** | (11,704,339) |

## 21 AMOUNTS DUE FROM (TO) RELATED COMPANIES/DIRECTORS/ SHAREHOLDERS

### a. Amounts due from related companies

| | 2017 S$ | 2016 S$ |
|---|---|---|
| Trade related | **3,748,877** | 11,934,459 |
| Non-trade related *(Note)* | **—** | 21,740 |
| | **3,748,877** | 11,956,199 |

*Note:* The balances as at 31 December 2016 comprised of rental deposits for office, which were unsecured, non-interest bearing and repayable at the end of the lease term.

The average credit period for provision of services is 30 days. The aging of trade related amount due from related companies presented based on the invoice date at the end of the reporting period is as follows:

| | 2017 S$ | 2016 S$ |
|---|---|---|
| Within 90 days | **3,748,877** | 11,932,854 |
| 91 days to 180 days | **—** | — |
| 181 days to 365 days | **—** | 1,605 |
| | **3,748,877** | 11,934,459 |

## 21 AMOUNTS DUE FROM (TO) RELATED COMPANIES/DIRECTORS/ SHAREHOLDERS (CONTINUED)

### b. Amounts due to related companies

| | 2017 S$ | 2016 S$ |
|---|---|---|
| Trade related | — | 1,889,619 |
| Non-trade related *(Note)* | — | 24,861 |
| | — | 1,914,480 |

*Note:* The balance as at 31 December 2016 were unsecured, non-interest bearing and without a fixed repayment term.

The average credit period for provision of services is 30 days. The aging of trade related amounts due to related companies presented based on the invoice date at the end of the reporting period is as follows:

| | 2017 S$ | 2016 S$ |
|---|---|---|
| Within 90 days | — | 1,888,098 |
| 91 days to 180 days | — | 651 |
| 181 days to 365 days | — | 870 |
| | — | 1,889,619 |

### c. Amount due to directors

The balance as at 31 December 2016 is non-trade nature, unsecured, non-interest bearing and repayable on demand.

### d. Amounts due from (to) shareholders

The balance as at 31 December 2017 and 31 December 2016 is non-trade nature, unsecured, non-interest bearing and repayable on demand.

## 22 BANK BALANCES AND CASH

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Cash and bank balances *(Note)* | **32,231,219** | 29,729,924 |

*Note:* Other than time deposits amounting to S$10,000,000 (2016: S$14,000,000) which carry fixed interest at 1.08% to 1.12% (2016: 1.05% to 1.30%) per annum as at 31 December 2017, the remaining balances do not carry interest.

## 23 TRADE AND OTHER PAYABLES

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Trade payables | **5,318,008** | 6,585,805 |
| Trade accruals | **20,889,813** | 24,006,911 |
| | **26,207,821** | 30,592,716 |
| Accrued operating expenses | **253,271** | 305,808 |
| Other payables | | |
| GST payable | **5,246** | 246,156 |
| Accrued payroll costs | **2,343,283** | 3,142,650 |
| Payable for acquisition of properties | **941,796** | — |
| Others | **—** | 10,903 |
| | **29,751,417** | 34,298,233 |

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

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Within 90 days | **5,007,693** | 6,287,982 |
| 91 to 180 days | **268,313** | 74,953 |
| 181 days to 365 days | **13,133** | 134,942 |
| Over 1 year but not more than 2 years | **28,869** | 86,576 |
| Over 2 years | **—** | 1,352 |
| | **5,318,008** | 6,585,805 |

The credit period on purchases from suppliers and subcontractors is between 30 to 60 days (2016: 30 to 60 days) or payable upon delivery.

## 24 OBLIGATIONS UNDER FINANCE LEASES

| | Minimum lease payments as at 31 December | | Present value of minimum lease payments as at 31 December | |
|---|---|---|---|---|
| | **2017** **S$** | 2016 S$ | **2017** **S$** | 2016 S$ |
| Amounts payable under finance leases: | | | | |
| Within one year | — | 71,818 | — | 69,875 |
| More than one year but not exceeding two years | — | 43,281 | — | 42,118 |
| | — | 115,099 | — | 111,993 |
| Less: Future finance charges | — | (3,106) | | |
| Present value of lease obligations | — | 111,993 | | |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | — | (69,875) |
| Amount due for settlement after one year | | | — | 42,118 |

Interest rates underlying all obligations under finance leases as at 31 December 2016 were fixed at respective contract dates ranging from 1.38% to 2.99% per annum.

The average lease term was 1 to 4 years. The Group's obligations under finance leases as at 31 December 2016 were secured by the lessor's charge over the leased assets (Note 14) and secured by personal guarantee by Mr. Yang Xinping and Ms. Han Yuying. The balances were fully repaid during the year ended 31 December 2017 due to early settlement. Accordingly, the personal guarantee was released upon full settlement of respective finance lease contracts.

## 25 BORROWINGS

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Bank loan — secured | **6,213,776** | 4,131,841 |
| Analysed as: | | |
| Carrying amount repayable within one year | **292,101** | 182,025 |
| Carrying amount repayable more than one year, but not exceeding two years | **296,827** | 185,556 |
| Carrying amount repayable more than two years, but not exceeding five years | **1,251,050** | 579,005 |
| Carrying amount repayable more than five years | **4,373,798** | 3,185,255 |
| | **6,213,776** | 4,131,841 |
| Amount due within one year shown under current liabilities | **(292,101)** | (182,025) |
| Amount shown under non-current liabilities | **5,921,675** | 3,949,816 |

The loan as at 31 December 2017 and 2016 was secured by the legal mortgage over the Group's freehold properties and investment properties carrying fixed interest rate of 1.98% per annum for the first three years and a prevailing three-month SIBOR plus 1.88% and 3.00% for annum for the fourth and fifth year and subsequent years thereafter respectively.

## 26 DEFERRED TAX LIABILITIES

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| As at 1 January | **282,000** | 138,000 |
| Recognised in profit or loss during the year: | | |
| Accelerated tax depreciation *(Note 9)* | **23,000** | 144,000 |
| As at 31 December | **305,000** | 282,000 |

The deferred tax liabilities resulted from temporary taxable differences arising from accelerated depreciation in relation to capital allowance claims on qualified assets in accordance with prevailing tax laws in Singapore.

## 27 SHARE CAPITAL

For the purpose of presenting the share capital of the Group prior to the Group Reorganisation in the consolidated statement of financial position, the balance as at 1 January 2017 represented the share capital of the Singapore subsidiaries as the Company was incorporated in the Cayman Islands on 21 February 2017.

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 12 September 2017 by way of placing of 100,000,000 shares and public offer of 100,000,000 shares at the price of HK$0.50 per share ("Share Offer").

| | **Number of shares** | **Par value** | **Share capital** |
|---|---|---|---|
| | | HK$ | HK$ |
| Authorised share capital of the Company: | | | |
| At date of incorporation on 21 February 2017 *(Note a)* | 38,000,000 | 0.01 | 380,000 |
| Increase on 17 August 2017 *(Note d)* | 4,962,000,000 | 0.01 | 49,620,000 |
| At 31 December 2017 | 5,000,000,000 | 0.01 | 50,000,000 |

| | **Number of shares** | **Share capital** |
|---|---|---|
| | | S$ |
| Issued and fully paid of BHCC Construction and Wan Yoong: | | |
| At 1 January 2016 | 6,530,000 | 6,530,000 |
| Issued of shares during the year *(Note f)* | 800,000 | 800,000 |
| Issued of shares under capitalisation issue *(Note f)* | 6,200,000 | 3,350,000 |
| At 31 December 2016 | 13,530,000 | 10,680,000 |
| Issued and fully paid of the Company: | | |
| At date of incorporation on 21 February 2017 *(Note a)* | 75 | — |
| Issue of shares pursuant to the reorganisation *(Note b & c)* | 999,925 | 1,742 |
| Issue of shares under the capitalisation issue *(Note d)* | 599,000,000 | 1,040,632 |
| Issue of shares under the Share Offer *(Note e)* | 200,000,000 | 347,456 |
| At 31 December 2017 | 800,000,000 | 1,389,830 |

## 27 SHARE CAPITAL (CONTINUED)

*Note:*

a. On 21 February 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each, of which one share was allotted and issued in nil paid form to the initial subscriber, an independent third party. The said share was transferred, together with 74 new shares allotted and issued at par, to Huada Developments, a company not forming part of the Group and is controlled by Mr. Yang Xinping and Ms. Chao Jie on the same date.

b. On 31 March 2017, Huada Developments, Eagle Soar and Wai Tian, subscribed for 68,100 new shares, 22,725 new shares and 9,100 new shares, all in nil paid form, with a par value of HK$0.01 each pursuant to the reorganisation of the Group.

c. On 17 August 2017, the following transactions occurred:

   - each of the individual shareholders transferred the entire issued share capital in BHCC Construction to Lion Metro, in return for the Company allotting and issuing 442,260 new shares and 110,565 new shares to Huada Developments at the directions of Mr. Yang Xinping and Ms. Chao Jie, and 184,275 new shares to Eagle Soar at the direction of Ms. Han Yuying and 81,900 new shares to Wai Tian at the direction of Mr. Zhan Lixiong, respectively, all with a par value of HK$0.01. After completion of the above share transfer, BHCC Construction became an indirect wholly-owned subsidiary of the Company.

   - each of the Controlling Shareholders transferred the entire issued share capital in Wan Yoong to Lion Metro, in return for the Company allotting and issuing 48,600 new shares and 12,150 new shares to Huada Developments at the directions of Mr. Yang Xinping and Ms. Chao Jie, and 20,250 new shares to Eagle Soar at the direction of Ms. Han Yuying, all with a par value of HK$0.01. After completion of the above share transfer, Wan Yoong became an indirect wholly-owned subsidiary of the Company.

d. Pursuant to written resolutions of the Shareholders of the Company passed on 17 August 2017, it was resolved, among other things:

   - The authorised share capital of the Company was increased from HK$380,000 to HK$50,000,000 by the creation of an additional 4,962,000,000 shares; and

   - conditional on the share premium account of the Company being credited as a result of the share offer, the directors of the Company were authorised to capitalise the amount of HK$5,990,000 (equivalent to approximately S$1,040,632) from the amount standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par a total of 599,000,000 ordinary shares for allotment, rank *pari passu* in all respects with all the then existing shares.

e. The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 12 September 2017 by way of placing of 100,000,000 shares and public offer of 100,000,000 shares at the price of HK$0.50 per share. The Company's share of net proceeds after deducting the underwriting commissions and expenses paid or payable by the Company in relation to the Share Offer amounted to approximately HK$69.0 million (S$12.0 million).

f. On 29 August 2016, the following transactions occurred:

   - BHCC Construction issued 800,000 ordinary shares for cash consideration of S$800,000 to the Controlling Shareholders in proportion to their respective equity interest percentage in BHCC Construction before new issuing, and 1,500,000 ordinary shares for cash consideration of S$4,350,000 to Mr. Zhan Lixiong, an individual not connected to the Group. All shares issued rank *pari passu* in all aspects with the existing issued ordinary shares in the capital of BHCC Construction.

   - BHCC Construction issued 6,200,000 ordinary shares to the Controlling Shareholders by way of capitalisation of retained earnings amounted to S$3,350,000. All shares issued rank *pari passu* in all aspects with the existing issued ordinary shares in the capital of BHCC Construction.

## 28 OPERATING LEASE COMMITMENTS

| **The Group as lessee** | **2017 S$** | 2016 S$ |
|---|---|---|
| Minimum lease payments paid during the year under operating lease in respect of staff dormitories, warehouse, office and heavy machinery | **560,198** | 2,063,800 |

Future minimum rental payable under non-cancellable leases as at the end of reporting period are as follows:

| | **2017 S$** | 2016 S$ |
|---|---|---|
| Within one year | **169,692** | 952,707 |
| After one year but within five years | **32,490** | 61,187 |
| | **202,182** | 1,013,894 |

The leases have tenures ranging from one to two years (2016: one to two years) with no contingent rent provision included in the contracts. There is no restriction placed upon the Group by entering into these leases.

| **The Group as lessor** | **2017 S$** | 2016 S$ |
|---|---|---|
| Minimum lease income received during the year under operating lease in respect of investment properties and warehouse space | **15,200** | 8,000 |

Future minimum rental payable under non-cancellable leases as at the end of reporting period are as follows:

| | **2017 S$** | 2016 S$ |
|---|---|---|
| Within one year | **122,016** | — |
| After one year but within five years | **115,296** | — |
| | **237,312** | — |

The leases have tenures of two years (2016: nil) with no contingent rent provision included in the contracts.

## 29 RETIREMENT BENEFIT PLAN

As prescribed by the Central Provident Fund Board of Singapore, the Group's employees employed in Singapore who are Singapore Citizens or Permanent Residents are required to join the CPF scheme. From 1 January 2017 to 31 December 2017, the Group contributes up to 17% of the eligible employees' salaries to the CPF scheme, with each employee's qualifying salary capped at S$6,000 per month.

The total costs charged to profit or loss amounting to S$522,813 for the year ended 31 December 2017 (2016: S$597,746) represent contributions paid to the retirement benefits scheme by the Group.

As at 31 December 2017, contributions of S$82,223 (2016: S$139,578) were due respectively but had not been paid to the CPF. The amounts were paid subsequent to the end of the respective years.

## 30 RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these consolidated financial statements. Related companies refer to entities in which directors of the Group and his/her spouse have beneficial interest in.

Apart from disclosure elsewhere in the consolidated financial statements, the Group entered into the following transactions with related companies:

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Progress billing for provision of building and construction works to a related company | **1,549,431** | 26,698,695 |
| Provision of site support to a related company | **374,121** | 10,892,906 |
| Other income from a related company | — | 8,500 |
| Purchase of subcontracting work from related companies | **91,098** | 1,616,980 |
| Purchase of hardware from a related company | **160,551** | 771,116 |
| Rental expense to related companies | **130,440** | 130,440 |
| Back charge of utilities fees to a related company | **45,435** | — |

### Guaranteed from Controlling Shareholders

The Controlling Shareholders provided personal guarantees in respect of performance guarantees and security bonds for foreign workers in favour of the Group during the year, of which S$nil remained outstanding as at 31 December 2017 (2016: S$25,673,398).

### Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Short term benefits | **1,418,609** | 1,086,200 |
| Post-employment benefits | **81,685** | 52,020 |
| Total compensation | **1,500,294** | 1,138,220 |

## 31 PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company as at 31 December 2017 are set out below.

| Name | Place of incorporation/ operation | Paid up issued capital | Group's effective interest | Held by the Company | Principal activities |
|---|---|---|---|---|---|
| Lion Metro | BVI | US$1 | 100% | 100% | Investment holding |
| BHCC Construction | Singapore | S$15,000,000 | 100% | — | Provision of building construction services |
| Wan Yoong | Singapore | S$30,000 | 100% | — | Provision of building construction services and investment holding |
| BHCC Space | Singapore | S$2 | 100% | — | Property development |

None of the subsidiaries had issued any debt securities at the end of the year.

## 32 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Borrowings *(Note 25)* S$ | Obligation under finance leases *(Note 24)* S$ | Amounts due to related companies *(Note 21)* S$ | Amounts due to directors *(Note 21)* S$ | Amounts due to shareholder *(Note 21)* S$ | Total S$ |
|---|---|---|---|---|---|---|
| 1 January 2017 | 4,131,841 | 111,993 | 24,861 | 35,096 | 93,865 | 4,397,656 |
| Financing cash flows | (387,416) | (113,929) | (24,861) | (35,096) | (93,865) | (655,167) |
| *Non-cash changes* | | | | | | |
| Payment for properties financed by direct mortgage loan drawdown *(Note 36)* | 2,354,491 | — | — | — | — | 2,354,491 |
| Finance cost recognised *(Note 8)* | 114,860 | 1,936 | — | — | — | 116,796 |
| 31 December 2017 | 6,213,776 | — | — | — | — | 6,213,776 |

## 33 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | 2017<br>S$ |
|---|---|
| **ASSETS AND LIABILITIES** | |
| **Non-current asset** | |
| Investment in a subsidiary | 1 |
| | 1 |
| **Current assets** | |
| Amount due from a subsidiary | 1,560 |
| Other receivables | 2,112 |
| Amount due from shareholders | 182 |
| Bank balances and cash | 14,456,020 |
| | 14,459,874 |
| **Current liabilities** | |
| Other payables | (91,615) |
| Amount due to subsidiaries | (2,588,182) |
| | (2,679,797) |
| **Net current assets** | 11,780,077 |
| **Total assets less current liabilities, representing net assets** | 11,780,078 |
| **EQUITY** | |
| **Capital and reserves** | |
| Share capital | 1,389,830 |
| Share premium | 14,176,517 |
| Accumulated losses | (3,786,269) |
| **Equity attributable to owners of the Company** | 11,780,078 |

## 33 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

A summary of the Company's reserves is as follows:

| | Share premium S$ | Accumulated losses S$ | Total S$ |
|---|---|---|---|
| **At 21 February 2017 (date of incorporation)** | — | — | — |
| Total comprehensive loss for the period: | | | |
| Loss for the period | — | (3,786,269) | (3,786,269) |
| Transactions with owner, recognised directly in equity: | | | |
| Issue of shares under the capitalisation issue | (1,040,632) | — | (1,040,632) |
| Issue of shares under the Share Offer | 17,025,358 | — | 17,025,358 |
| Share issue expenses | (1,808,209) | — | (1,808,209) |
| Total | 14,176,517 | (3,786,269) | 10,390,248 |
| **At 31 December 2017** | 14,176,517 | (3,786,269) | 10,390,248 |

## 34 CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the reporting period.

The capital structure of the Group consists of debt, which includes obligations under finance leases and borrowings as disclosed in Notes 24 and 25 respectively, net of bank balances and cash and equity attributable to owners of the Group, comprising share capital and reserves.

The management of the Group reviews the capital structure from time to time. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares and new debts.

# 35 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

## Categories of financial instruments

*The Group*

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| **Financial assets** | | |
| — *Loans and receivables* | | |
| Trade receivables | **17,592,755** | 21,809,619 |
| Other receivables and deposits | **2,186,723** | 971,310 |
| Amount due from related parties | **3,748,877** | 11,956,199 |
| Amount due from shareholders | **182** | — |
| Bank balances and cash | **32,231,219** | 29,729,924 |
| | **55,759,756** | 64,467,052 |
| — *AFS Financial assets* | | |
| Available-for-sale investments | **2,724,910** | 2,749,910 |
| | **58,484,666** | 67,191,962 |
| **Financial liabilities** | | |
| — *Amortised cost* | | |
| Trade and other payables | **29,746,171** | 34,052,077 |
| Amounts due to related companies | **—** | 1,914,480 |
| Amount due to a director | **—** | 35,096 |
| Amounts due to a shareholder | **—** | 93,865 |
| Borrowings | **6,213,776** | 4,131,841 |
| | **35,959,947** | 40,227,359 |

## 35 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from/to related companies, bank balances and cash, trade and other payables, amount due to a director, amounts due from (to) shareholders and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### *(a) Market risk*

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is also exposed to fair value interest rate risk in relation to fixed-rate borrowings and finance leases and fixed interest on time deposits and amount due from directors.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

None of the financial instruments bears a variable interest rate that is subject to cash from interest rate risk and no sensitivity analysis is prepared.

## 35 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### *(b) Currency risk*

The Group has certain bank balances denominated in US$ and HK$ other than the functional currency of respective group entities, which expose the Group to foreign currency risk.

The Group manages the risk by closely monitoring the movement of the foreign currency rate.

The carrying amounts of the Group's monetary assets denominated in foreign currency at the end of reporting period is as below:

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| **Assets** | | |
| Hong Kong Dollars ("HK$") | **14,456,020** | — |
| United States Dollars ("US$") | **693,637** | 750,386 |

Assuming that all other variables remain constant at year end, a 10% depreciation/appreciation of the S$ against HK$ would result in an increase/decrease in the Group's profit for the year of approximately S$1,445,602 for the year ended 31 December 2017 (2016: nil).

Assuming that all other variables remain constant at year end, a 10% depreciation/appreciation of the S$ against US$ would result in an increase/decrease in the Group's profit for the year of approximately S$69,363 for the year ended 31 December 2017 (2016: S$75,039).

In the management's opinion, the sensitivity analysis above is unrepresentative for the currency risk as the exposure at the end of reporting period does not reflect the exposure during the year.

#### *(c) Credit risk*

Included in financial assets as at 31 December 2017 as a component of bank balances and cash is S$14,456,020, placed in a bank in Hong Kong. The remaining bank deposits and balances are placed in three banks (2016: three) in Singapore. All these counterparties have been assessed by management to be financially sound.

Other than the concentration of credit risk of bank balances and cash in Hong Kong, the Group's concentration of credit risk by geographical locations is mainly in Singapore, which accounted for 100% of the total financial assets as at 31 December 2017 (2016: 100%).

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group carries out research on the credit risk of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed when necessary.

## 35 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### *(c) Credit risk (Continued)*

In addition, the Group reviews the recoverable amount of each individual trade debt, including trade receivable and amounts due from related companies of trade nature, at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

Approximately 46% of total trade receivables outstanding at 31 December 2017 (2016: 82%) were due from top 5 customers which exposed the Group to concentration of credit risk.

Those five largest customers are with good creditworthiness based on historical settlement record. In order to minimise the concentration of credit risk, the management has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. The management also performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amount. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on bank deposits and balances and on trade receivables from top 5 customers as disclosed above, the Group has no other significant concentration of credit risk on other receivables, with exposure spread over a number of counterparties.

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

#### *(d) Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial obligations as and when they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

*Non-derivative financial assets*

All financial assets of the Group as at 31 December 2017 and 2016 are non-interest bearing and repayable on demand or due within one year, except for time deposits as disclosed in Note 22.

*Non-derivative financial liabilities*

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the relevant market rates as at the reporting date) of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows, where applicable.

# 35 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

## Financial risk management objectives and policies (Continued)

### *(d) Liquidity risk (Continued)*

*Non-derivative financial liabilities (Continued)*

The Group

| | Interest rate per annum % | On demand or within 3 months S$ | 3 to 6 months S$ | 6 to 12 months S$ | 1 to 5 years S$ | Over 5 years S$ | Total undiscounted cash flow S$ | Carrying amount S$ |
|---|---|---|---|---|---|---|---|---|
| **As at 31 December 2017** | | | | | | | | |
| *Non-interest bearing instruments* | | | | | | | | |
| Trade and other payables | — | **29,746,171** | — | — | — | — | — | **29,746,171** |
| *Fixed interest bearing instruments* | | | | | | | | |
| Borrowings | **1.98** | **103,122** | **103,122** | **206,244** | **1,649,952** | **5,327,466** | **7,389,906** | **6,213,776** |
| Total | | **29,849,293** | **103,122** | **206,244** | **1,649,952** | **5,327,466** | **7,389,906** | **35,959,947** |
| **As at 31 December 2016** | | | | | | | | |
| *Non-interest bearing instruments* | | | | | | | | |
| Trade and other payables | — | 34,052,077 | — | — | — | — | 34,052,077 | 34,052,077 |
| Amounts due to related companies | — | 1,914,480 | — | — | — | — | 1,914,480 | 1,914,480 |
| Amount due to a shareholder | — | 35,096 | — | — | — | — | 35,096 | 35,096 |
| Amount due to directors | — | 93,865 | — | — | — | — | 93,865 | 93,865 |
| *Fixed interest bearing instruments* | | | | | | | | |
| Obligations under finance leases | 3.02 | 21,390 | 17,950 | 32,478 | 43,281 | — | 115,099 | 111,993 |
| Borrowings | 1.98 | 65,514 | 65,514 | 131,028 | 1,048,224 | 3,646,953 | 4,957,233 | 4,131,841 |
| Total | | 36,182,422 | 83,464 | 163,506 | 1,091,505 | 3,646,953 | 41,167,850 | 40,339,352 |

As at 31 December 2017, the Group had available S$941,796 (2016: S$3,296,287) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met

The Company

The Company's financial liabilities are non-interest bearing and repayable on demand.

## 35 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

***(e) Fair value***

*Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis*

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The Group had no financial assets or financial liabilities carried at fair value in 2017 and 2016.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

## 36 NON-CASH TRANSACTIONS

During the year ended 31 December 2016, the Group purchased plant and machinery amounting to $146,400 which were acquired under hire purchase arrangements.

During the year ended 31 December 2017, (a) the additional cost of acquiring the freehold properties of S$3,296,287 was financed by a loan drawdown of S$2,354,491, and the remaining of S$941,796 remains payable as at 31 December 2017; (b) the additional cost of S$6,377,213 for the properties pertains to the reclassification of deposits paid for acquisition of properties upon the notice of vacant possession of the properties; (c) the cost of 3 units of properties amounting S$5,397,543 was transferred to investment properties upon the signing of the tenancy agreements.

## 37 CONTINGENT LIABILITIES

As at 31 December 2017, the Group has provided performance bonds in favour of the customers amounting to S$27,526,718.

## 38 COMMITMENTS

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Commitments for acquisition of property, plant and equipment | 490,000 | — |

## 39 EVENTS AFTER THE REPORTING PERIOD

Subsequent to year end, one of its subsidiaries entered into an agreement with a third party, not connected to the Company and its connected persons, in relation to a disposal (the "Disposal") of an available-for-sale investment at an aggregate consideration of S$3.0 million.

# FOUR-YEAR FINANCIAL SUMMARY

## RESULTS

A summary of the results and of the assets, equity and liabilities of the Group for the last four financial years is as follows:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2017** | 2016 | 2015 | 2014 |
| | **S$** | S$ | S$ | S$ |
| Revenue | **143,955,670** | 176,367,215 | 132,381,570 | 77,227,078 |
| Profit before taxation | **8,440,667** | 9,366,195 | 7,613,125 | 3,350,567 |
| Income tax expense | **(2,233,554)** | (1,526,333) | (608,872) | — |
| Profit and other comprehensive income for the year | **6,207,113** | 7,839,862 | 7,004,253 | 3,350,567 |
| Profit attributable to: | | | | |
| Owners of the Company | **5,215,355** | 7,705,432 | 7,004,253 | 3,350,567 |
| Non-controlling interest | **991,758** | 134,430 | — | — |
| | **6,207,113** | 7,839,862 | 7,004,253 | 3,350,567 |

## ASSETS AND LIABILITIES

| | As at 31 December | | | |
|---|---|---|---|---|
| | **2017** | 2016 | 2015 | 2014 |
| | **S$** | S$ | S$ | S$ |
| **Assets** | | | | |
| Non-current assets | **23,829,856** | 11,850,420 | 8,445,535 | 4,799,129 |
| Current assets | **57,796,216** | 65,450,360 | 55,006,363 | 40,461,842 |
| Total assets | **81,626,072** | 77,300,780 | 63,451,898 | 45,260,971 |
| **Equity and liabilities** | | | | |
| Total equity | **39,035,668** | 22,263,768 | 10,773,906 | 8,169,653 |
| Non-current liabilities | **6,226,675** | 4,273,934 | 1,004,943 | 229,127 |
| Current liabilities | **36,363,729** | 50,763,078 | 51,673,049 | 36,862,191 |
| Total liabilities | **42,590,404** | 55,037,012 | 52,677,992 | 37,091,318 |
| Total equity and liabilities | **81,626,072** | 77,300,780 | 63,451,898 | 45,260,971 |

*Note:* The summary of the consolidated results of the Group for the three years ended 31 December 2014, 2015 and 2016 and of the assets, equity and liabilities as at 31 December 2014, 2015 and 2016 are extracted from the Prospectus.