BHCC HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1552

2018
ANNUAL REPORT

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

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COMPANY WEBSITE
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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 2018, together with the comparative figures for the year ended 31 December 2017.

The Group's revenue for the year ended 31 December 2018 was approximately S$110.0 million. Gross profit for the year ended 31 December 2018 was approximately S$6.3 million. Profit before taxation was approximately S$3.6 million. For the year ended 31 December 2018, the Group is honoured to receive the Safety and Health Award Recognition from the Workplace safety and Health Council of Singapore ("WSHC") in collaboration with the Ministry of Manpower ("MOM") for a public project. Achieving this award is a testament to our commitment to total Workplace Safety and Health and we shall continue to implement our robust Safety and Health Management System diligently so as to strive for continual improvement across all projects undertaken by the Group.

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. According to Building Construction Authority of Singapore, the value of construction contracts to be awarded in 2019 is projected to range between S$27 billion and S$32 billion due to sustained public sector construction demand, which contributed to about 60% of the projected demand for year 2018.

For the year ended 31 December 2018, approximately 67% of the Group's revenue was derived from public sector projects. In response to such market conditions, we will continue to leverage on our expertise in public sector projects and also seek to further improve our building capabilities and productivities by exploring new building technologies and enhancing the incumbent ones such as BIM. We will also continue to purchase equipment and machineries for our projects to strengthen our market position 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

29 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

FINANCIAL REVIEW

The Group's revenue for the year ended 31 December 2018 was approximately S$110.0 million, representing a decline of 23.6% as compared with that of approximately S$144.0 million for the previous year. The decrease in revenue is due to a lower building and construction works activity level as compared to the previous year. In addition, certain ongoing projects brought forward from previous years were already nearing completion, and only a small portion of the remaining contract sum was recognised in 2018. These factors contributed towards overall decrease of approximately S$34.0 million in revenue in 2018 as compared to 2017.

As a result of having lower profit margin projects in 2018, gross profit for the year ended 31 December 2018 decreased by approximately S$8.1 million to approximately S$6.3 million (2017: approximately S$14.4 million), and the gross profit margin decreased to approximately 5.7% (2017: approximately 10.0%).

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

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

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

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

USE OF NET PROCEEDS FROM THE LISTING

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

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

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

Use of net proceeds	Net proceeds (in HK$ million)	Amount utilised up to 31 December 2018 (in HK$ million)	Amount remaining as at 31 December 2018 (in HK$ million)
— Purchase equipment and machineries to strengthen market position	29.1	4.9	24.2
— Initial capital contribution required for larger value projects	19.6	9.2	10.4
— Expand and enhance workforce to support business expansion	13.0	5.8	7.2
— Recruit new staff and train existing staff to improve productivity via investment in BIM and ERP	7.5	3.1	4.4
— Working capital	3.5	3.5	0
Total	72.7	26.5	46.2

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

PROSPECTS

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

The Company expects to:

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

(b) pursue higher value contracts;

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

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

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

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

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

CHARGES OF ASSETS

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

SIGNIFICANT INVESTMENTS HELD

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

DIVIDEND

The Board takes into account, among other factors, the Group's overall results of operation, financial position and capital requirements, in considering the declaration of dividends. The Board does not recommend the payment of a dividend for the year ended 31 December 2018 (2017: nil).

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company ("AGM") will be held on Friday, 31 May 2019 at 10:00 a.m. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 28 May 2019 to Friday, 31 May 2019, 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, Boardroom Share Registrars (HK) Limited, room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Monday, 27 May 2019.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yang Xinping, aged 49, 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 25 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 54, was appointed as an Executive Director on 31 March 2017. Ms. Han is also a director of the subsidiaries of the Group. Ms. 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. Ms. Han obtained a Bachelor's Degree in Engineering from Hohai University, the PRC in July 1988. She has more than 29 years of experience in the construction industry. Ms 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 49, 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 19 years of experience in group finance, tax, accounting, corporate finance and treasury.

Mr. Ooi Soo Liat, aged 74, 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 34, 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 10 years of relevant experience in the accounting field.

SENIOR MANAGEMENT

Ms. Chao Jie, aged 49, 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 16 years of experience in the construction industry in Singapore.

Mr. Yeo Ngian Tee, aged 56, 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 11 years of experience in the construction industry in Singapore.

Mr. Kang Zeng, aged 32, 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 9 years of experience in the construction industry in Singapore.

Ms. Zhang Zhiping, aged 45, 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 17 years of experience in the construction industry in Singapore.

COMPANY SECRETARY

Ms. Chan So Fun, aged 50, 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

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2018, 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 2018.

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 independent non-executive Directors (the "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.

During the year ended 31 December 2018, 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.

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 2018 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 2019 onwards, the Board is scheduled to meet 4 times a year at approximately quarterly 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 annual general meeting and two board meetings during the year ended 31 December 2018 and, amongst other matters, considered and approved the audited consolidated financial information of the Group for the year ended 31 December 2017 and the unaudited consolidated financial information of the Group for the six months ended 30 June 2018.

The Board held a meeting on 29 March 2019 and, amongst other matters, considered and approved the audited consolidated financial statements of the Group for the year ended 31 December 2018.

The attendance of each Director at the Board meetings during the year ended 31 December 2018 and up to the date of this annual report is as follows:

Name of Directors	**Board Meetings**	**Annual General Meeting**
Mr. Yang Xinping	3/3	1/1
Ms. Han Yuying	3/3	1/1
Ms. Chan Bee Leng	3/3	1/1
Ms. Li Xueling, Sharlene	3/3	1/1
Mr. Ooi Soo Liat	3/3	1/1

BOARD DIVERSITY POLICY

During the year end 31 December 2018, 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 2018, 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 year ended 31 December 2018.

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 (the "Audit Committee") of the Company was established on 17 August 2017 with written terms of reference in compliance with the CG Code. On 31 December 2018, the Board adopted a revised terms of reference of the Audit Committee so as to reflect recent amendments to code provision C.3.2 of the CG Code which provides that with effect from 1 January 2019, the cooling period for appointment of a former partner of an issuer's current audit firm as the issuer's audit committee member should be two years. The written terms of reference of the Audit Committee are published on the respective websites of the Stock Exchange and the Company. It comprises three independent non-executive directors, namely Ms. Chan Bee Leng, Ms. Li Xueling, Sharlene and Mr. Ooi Soo Liat. Ms. Chan Bee Leng is the chairwoman of the Audit Committee.

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

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;

- reporting the matters in this code provision to the board; and

- considering other topics as defined by the Board.

During the year ended 31 December 2018, two Audit Committee meetings were held and, amongst other matters, considered and approved audited consolidated financial information of the Group for the year ended 31 December 2017 and the unaudited consolidated financial information of the Group for the six months ended 30 June 2018.

The Audit Committee held a meeting on 29 March 2019 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 2018.

The attendance of each INED at the Audit Committee meetings during the year ended 31 December 2018 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, 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 year ended 31 December 2018, a Remuneration Committee meeting was held to review Company's current policy and structure for remuneration of Directors and senior management of the Company.

The Remuneration Committee held a meeting on 29 March 2019, 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 year ended 31 December 2018 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	2/2
Ms. Han Yuying	2/2
Ms. Chan Bee Leng	2/2
Ms. Li Xueling, Sharlene	2/2

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 Xinping, 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 year ended 31 December 2018, one Nomination Committee meeting was held to (i) approve the re-election of Directors pursuant to the articles of the Company (the "Article(s)") at the annual general meeting of the Company held on Wednesday, 30 May 2018; (ii) consider the independence of the INEDs; and (iii) review the structure, size and composition including the skills knowledge and experience of the Board.

The Nomination Committee held a meeting on 29 March 2019 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"). Details of re-appointments were set out in the circulars of the Company dated 30 April 2019.

The attendance of each Director in the capacity of a member of the Nomination Committee at its meeting during the year ended 31 December 2018 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	2/2
Mr. Yang Xinping	2/2
Ms. Chan Bee Leng	2/2
Mr. Ooi Soo Liat	2/2

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;

- reviewing the Company's compliance with the CG Code and disclosure in this report; and

- such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board is responsible.

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 2018 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 2018 by band is set out below:

Remuneration band (in HK$)	**Number of individuals**
Nil to HK$1,000,000	3
HK$1,000,001 to HK$1,500,000	1

INDEPENDENT AUDITOR'S REMUNERATION

For the year ended 31 December 2018, Deloitte & Touche LLP was engaged as the Group's independent auditor.

The remuneration paid/payable to Deloitte & Touche LLP is set out below:

Services	As at 31 December **2018** **S$**	 2017 S$
Audit services	**150,000**	257,000
Non-audit services	—	67,000
Total	**150,000**	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 2018.

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 2018.

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.

The Group has engaged an internal control consultant, an independent third party, to undertake a review of the internal control system of the Group during the year ended 31 December 2018. Such review is conducted annually and covers key areas of operations and processes of the Group. The internal control consultant has reported findings and areas for improvement to the Audit Committee and management of the Company. The Board and Audit Committee are of the view that there are no material internal control defects noted. All recommendations from the internal control consultant will be properly followed up by the Group to ensure that they are implemented within a reasonable period of time.

DIVIDEND POLICY

Provided that the Group is profitable and without affecting the normal operations of the Group, the Company may consider to declare and pay dividends to the shareholders of the Company. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account various factors, which include, but are not limited to, the operating results and performance, cash flow, financial position, capital requirements and future prospects of the Group, as well as the interests of the shareholders of the Company. Declaration and payment of dividend by the Company are also subject to the laws of the Cayman Islands, the memorandum and articles of association of the Company and any applicable laws, rules and regulations. For the avoidance of doubt, there can be no assurance that a dividend will be proposed or declared in any specific period.

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 17 August 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 2018, 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. Any relevant information and documents on proposed resolutions are normally sent to all Shareholders at least 20 clear business days before the AGM.

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 2018.

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

EVENTS AFTER THE REPORTING PERIOD

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

DIRECTORS' REPORT

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 2018.

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 for the year ended 31 December 2018.

RESULTS/BUSINESS REVIEW

The results of the Group for the year ended 31 December 2018 are set out in the section headed "Consolidated Statement of Profit or Loss and Other Comprehensive Income" on page 48 in this report. The business review of the Group for the year ended 31 December 2018 is set out in the section headed "Management Discussion and Analysis" on pages 4 to 8 in this report.

DIVIDENDS

The Directors do not recommend the payment of a dividend and propose that the profit for the year ended 31 December 2018 be retained.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2018 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 2018.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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 were as follows:

	As at 31 December	
	2018	2017
	S$	S$
Share premium	**(14,176,517)**	(14,176,517)
Accumulated profits	**4,033,692**	3,786,269
	(10,142,825)	(10,390,248)

RESERVES AND DISTRIBUTABLE RESERVES

The Company did not have distributable reserves as at 31 December 2018, 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.

On 30 November 2017, BHCC Construction Pte. Ltd. ("BHCC Construction"), an indirect wholly-owned subsidiary of the Company, and Marshall Development Pte. Ltd. ("Marshall Development") entered into a construction agreement for a consideration of S$2.1 million. Each of Mr. Yang Xinping ("Mr. Yang") and Ms. Han Yuying ("Ms. Han"), being the executive directors of the Company, owns 37.5% and 12.5% of the shareholding in Marshall Development. Hence, Marshall Development is an associate of Mr. Yang and is regarded as a connected person. The entering into of the construction agreement constituted a connected transaction under Chapter 14A of the Listing Rules and was subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from the circular (including independent financial advice) and independent shareholders' approval requirement. Due to the inadvertent oversight, the Company failed to made the announcement in a timely manner and the relevant announcement was only made on 12 April 2019. Save for the delay in publishing the aforesaid connected transaction announcement, the Company confirms that it has complied with all the relevant laws and regulations.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

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 subcontractors and conducts a fair and strict appraisal of its suppliers and subcontractors.

DIRECTORS

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

Executive directors:

- Mr. Yang Xinping
- Ms. Han Yuying

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 AGM, provided that every Director shall retire at least once every three years.

Accordingly, Ms. Han Yuying and Mr. Ooi Soo Liat 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 9 to 10 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"), 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 2018. 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 2018, 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 2018, 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 2018, 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 2018 and there was no outstanding option as at 31 December 2018.

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 INEDs, 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

On 30 November 2017, BHCC Construction Pte. Ltd. ("BHCC Construction"), an indirect wholly-owned subsidiary of the Company, and Marshall Development Pte. Ltd. ("Marshall Development") entered into a construction agreement for a consideration of S$2.1 million. Each of Mr. Yang Xinping ("Mr. Yang") and Ms. Han Yuying ("Ms. Han"), being the executive directors of the Company, owns 37.5% and 12.5% of the shareholding in Marshall Development. Hence, Marshall Development is an associate of Mr. Yang and is regarded as a connected person. The entering into of the construction agreement constituted a connected transaction under Chapter 14A of the Listing Rules and was subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from the circular (including independent financial advice) and independent shareholders' approval requirement. Due to the inadvertent oversight, the Company failed to made the announcement in a timely manner and the relevant announcement was only made on 12 April 2019. Save for the delay in publishing the aforesaid connected transaction announcement, the Company confirms that it has complied with all the relevant laws and regulations.

During the year ended 31 December 2018, the Group entered into three tenancy agreements with certain connected persons of the Group, the transactions contemplated thereunder constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. However, as the transactions contemplated under tenancy agreements were de minimis, they were fully exempt continuing connected transaction under Chapter 14A of the Listing Rules. Save for such transactions, the Group did not enter into any connected transaction during the year ended 31 December 2018, which was 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 2018 attributable to the Group' major customers and suppliers are as follow:

Sales

— the largest customer	58.4%
— five largest customers	90.5%

Purchases

— the largest supplier	23.6%
— five largest suppliers	59.6%

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 2018.

CHARITABLE DONATIONS

During the year, the Group has not made any charitable and other donation (2017: S$7,488).

EVENTS AFTER THE REPORTING PERIOD

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

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
29 March 2019

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. For the year ended 31 December 2018, the total carbon emission arising from our diesel consumption is approximately 2,119.9 tonnes of CO2e.

The principal greenhouse gas ("GHG") emissions of the Group are direct GHG emissions from diesel consumed for our equipment, energy indirect GHG emissions generated mainly from purchased electricity and indirect GHG emissions mainly generated from paper consumption. For the Review Year, the summary of the resource of consumption and GHG emissions performance is extracted below:

Emissions	Unit	For the year ended 31 December 2018
Nitrogen Oxides (NOx)	kg	1,811.5
Sulfur Dioxide (SO_2)	kg	1.9
Particulate Matter (PM)	kg	95.6
Direct Emission of GHG, Scope 1	tonnes of CO_2e	2,119.9
Indirect Emission of GHG, Scope 2	tonnes of CO_2e	581.6
Other Indirect Emission of GHG, Scope 3	tonnes of CO_2e	38.4
Total GHG Emission	tonnes of CO_2e	**2,739.9**

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

To properly manage our GHG emissions, the Group actively adopts conservation and monitoring measures. We adopt digitized office to minimize paper usage, conducts regular vehicle maintenance and monitor fuel consumption, encouraging modern telecommunication system to avoid unnecessary travel arrangement; and encouraging staff to switch off air-conditioners, lights and computers when not in use.

For the year ended 31 December 2018, we were not aware of any non-compliance with laws and regulations having a significant impact on the Group relating to emissions.

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 6,300.0 tonnes. We did not generate hazardous waste.

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 98,927.8 m^2. Electricity consumed by the Group was 1,348,563.0 kWh with consumption intensity of 13.6 kWh/m^2. Water consumed by the Group was 96,920.9 CuM with consumption intensity of 1.0 CuM/m^2. Diesel consumed by the Group was 802,112.0 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 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 2018, the Group has a total of 361 employees.

	Gender	
	Male	**Female**
Number of employees	335	26
Approximate percentage to the total number of employees in the Group	92.8%	7.2%

	Age	
	30 and below	**Above 30**
Number of employees	210	151
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	6	15	65	275
Approximate percentage to the total number of employees in the Group	1.7%	4.2%	18.0%	76.2%

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.

For the year ended 31 December 2018, we were not aware of any non-compliance with laws and regulations having a significant impact on the Group relating to employee and labour practices. Nor did we identify any incidents relating to the use of child or forced labour.

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. Our businesses have their safety management systems certified in accordance with local and international standards. 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 is honoured to receive the Safety and Health Award Recognition from the Workplace safety and Health Council of Singapore ("WSHC") in collaboration with the Ministry of Manpower ("MOM") for a public project. Achieving this award is a testament to our commitment to total Workplace Safety and Health and we shall continue to implement our robust Safety and Health Management System diligently so as to strive for continual improvement across all projects undertaken by the Group.

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.

For the year ended 31 December 2018, we were not aware of any non-compliance with laws and regulations having a significant impact on the Group relating to occupational health and safety.

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. Our internal training programmes are developed by the respective departments so as to be most relevant to their needs. 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	104	10
Approximate percentage to the total number of employees of the relevant gender	31.0%	38.5%

	Types of Positions			
	Senior Management	**Mid-Management**	**Professional Position**	**General Position**
Number of employees	2	7	34	71
Approximate percentage to the total number of employees of the relevant type of position	33.3%	46.7%	52.3%	25.8%

	Gender	
	Male (hour)	**Female (hour)**
Total training hours	2,471.5	225.0
Average number of training hours	7.4	8.7

	Types of Positions			
	Senior Management	**Mid-Management**	**Professional Position**	**General Workers**
Total training hours	79.5	401.0	954.0	1,262.0
Average number of training hours	13.3	26.7	14.7	4.6

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"). ESG-related factors form an important part of the assessment process and have due weighting in our consideration of potential suppliers and subcontractors. We also assess their track records in relation to prior performance, reputation and corporate capacity. 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 systems.

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 2018, the Group has over 300 suppliers and subcontractors all based in Singapore and ordering of supplies and engaging of subcontractors are diversified to reduce dependency on any one supplier or subcontractor.

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.

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.

For the year ended 31 December 2018, we were not aware of any non-compliance with laws and regulations having a significant impact on the Group relating to service responsibility. Nor did we receive any service-related customer complaints.

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.

For the year ended 31 December 2018, we were not aware of any non-compliance with laws and regulations having a significant impact on the Group relating to anti-corruption. Nor did we 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 year ended 31 December 2018, the Company organized a volunteering event at a local Soup Kitchen and helped to prepare, cook and distribute meals to low income families. 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 48 to 116, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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) The Group is involved in construction projects for which it applies the input method to measure the Group's progress towards satisfaction of a performance obligation and recognises revenue over time in accordance with IFRS 15 *Revenue from contracts with customers*. The revenue and profit recognised in a year on these projects is dependent, amongst others, on the assessment of the Group's efforts or inputs to the construction projects (i.e. contract cost incurred for work performed) relative to the expected inputs to the construction projects (i.e. estimated total budgeted contract cost committed for the projects). 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. The Group's revenue recognition policy and key sources of estimation uncertainty are set out in Notes 4 and 5 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. We assessed the Group's revenue recognition practices to determine that they are in compliance with IFRS 15 *Revenue from contracts with customers* including the Group's efforts or inputs to the construction projects (i.e. contract cost incurred for work performed) relative to the expected inputs to the construction projects (i.e. estimated total budgeted contract cost committed for the projects) 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: i. agreed projects contract sum to signed contracts and variation orders; ii. assessed the reasonableness of cost incurred against our understanding of the projects; iii. vouched the actual cost incurred during the year to details of supplier invoices and subcontractors invoices to ensure the validity and accuracy of the costs; iv. performed cut-off testing to verify contract costs were taken up in the appropriate financial year; v. assessed and vouched the estimated cost to complete by substantiating costs that have been committed to quotations and contracts entered; 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; vii. for projects in progress, we further recomputed the percentage of the progress of the contract based on input method to test the accuracy of the percentage of the progress to determine the revenue; and viii. for projects completed during the year, we obtained the certificate of substantial completion and verified that the remaining revenue has been captured. We then compared total contract revenue to actual cost incurred plus estimated cost to complete, and assessed for foreseeable losses. 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. 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

The directors of the Company ("Directors") 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 directors and those charged with governance for the consolidated financial statements

The directors of the Company is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB 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 the directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for 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. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 the directors.

(d) Conclude on the appropriateness of the directors' 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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 Mao Meijiao.

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
Singapore
29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	2018 S$	2017 S$
Revenue	6	**109,955,234**	143,955,670
Cost of services		**(103,610,293)**	(129,545,045)
Gross profit		**6,344,941**	14,410,625
Other income	7a	**551,682**	618,772
Other gains and losses	7b	**241,413**	(272,747)
Other expenses	7c	**—**	(3,383,311)
Selling expenses		**(25,414)**	(31,946)
Administrative expenses		**(3,237,384)**	(2,783,930)
Finance costs	8	**(225,923)**	(116,796)
Profit before taxation		**3,649,315**	8,440,667
Income tax expense	9	**(503,785)**	(2,233,554)
Profit and total comprehensive income for the year	10	**3,145,530**	6,207,113
Profit attributable to:			
Owners of the company		**3,145,530**	5,215,355
Non-controlling interest		**—**	991,758
		3,145,530	6,207,113
Basic and diluted earnings per share *(S$ cents)*	13	**0.39**	0.79

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	31 December 2018 S$	31 December 2017 S$ (Restated*)	1 January 2017 S$ (Restated*)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	14	**18,643,820**	14,284,462	2,573,297
Intangible asset	15	**175,000**	175,000	175,000
Available-for-sale investments	16	**—**	2,724,910	2,724,910
Investment properties	17	**14,611,019**	5,285,094	—
Deposits paid for acquisition of property or land		**—**	—	6,377,213
Deposits paid for performance bond	19	**1,360,390**	1,360,390	—
Pledged deposits for performance bond	22	**988,770**	—	—
		35,778,999	23,829,856	11,850,420
Current assets				
Trade receivables	18	**5,641,686**	1,685,697	9,634,679
Other receivables and deposits	19	**1,737,185**	1,452,053	1,103,161
Contract assets	20	**15,105,683**	17,286,022	10,124,822
Amounts due from related companies	21a	**1,432,626**	1,133,466	9,430,000
Amount due from shareholders	21b	**182**	182	—
Cash and cash equivalents	22	**32,321,841**	32,231,219	29,729,924
		56,239,203	53,788,639	60,022,586
Current liabilities				
Trade and other payables	23	**(30,292,135)**	(29,751,417)	(34,298,233)
Contract liabilities	20	**(2,107,036)**	(233,184)	(7,128,022)
Amounts due to related companies		**—**	—	(1,914,480)
Amount due to directors		**—**	—	(35,096)
Amounts due to a shareholder	21b	**—**	—	(93,865)
Obligations under finance leases	24	**(14,572)**	—	(69,875)
Borrowings	25	**(982,815)**	(292,101)	(182,025)
Income tax payable		**(644,576)**	(2,079,450)	(1,613,708)
		(34,041,134)	(32,356,152)	(45,335,304)
Net current assets		**22,198,069**	21,432,487	14,687,282
Total assets less current liabilities		**57,977,068**	45,262,343	26,537,702

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 December 2018 S$	31 December 2017 S$ (Restated*)	1 January 2017 S$ (Restated*)
Non-current liabilities				
Obligations under finance leases	24	**(17,662)**	—	(42,118)
Borrowings	25	**(15,281,651)**	(5,921,675)	(3,949,816)
Deferred tax liabilities	26	**(221,467)**	(305,000)	(282,000)
		(15,520,780)	(6,226,675)	(4,273,934)
Net assets		**42,456,288**	39,035,668	22,263,768
EQUITY				
Capital and reserves				
Share capital	27	**1,389,830**	1,389,830	10,680,000
Reserves		**41,066,458**	37,645,838	7,099,338
Equity attributable to owners of the Company		**42,456,288**	39,035,668	17,779,338
Non-controlling interest		**—**	—	4,484,430
		42,456,288	39,035,668	22,263,768

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

The consolidated financial statements on pages 48 to 116 were approved and authorised for issue by the Board of Directors on Friday, 29 March 2019 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

As at 31 December 2018

	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 2017	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 (previously reported)	**1,389,830**	**14,176,517**	**10,678,440**	**4,976,188**	**7,814,693**	**39,035,668**	**—**	**39,035,668**
Adjustment on initial application of IFRS 9	—	—	—	—	**275,090**	**275,090**	—	**275,090**
Balance at 31 December 2017, as restated	**1,389,830**	**14,176,517**	**10,678,440**	**4,976,188**	**8,089,783**	**39,310,758**	—	**39,310,758**
Total comprehensive income for the year:								
Profit for the year	—	—	—	—	**3,145,530**	**3,145,530**	—	**3,145,530**
Balance at 31 December 2018	**1,389,830**	**14,176,517**	**10,678,440**	**4,976,188**	**11,235,313**	**42,456,288**	**—**	**42,456,288**

Notes:

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

As at 31 December 2018

	2018 **S$**	2017 S$
Operating activities		
Profit before taxation	**3,649,315**	8,440,667
Adjustments for:		
Depreciation of property, plant and equipment	**1,284,334**	1,165,292
Depreciation of investment properties	**134,938**	28,727
Loss on disposal of property, plant and equipment	**—**	4,212
Finance costs	**225,923**	116,796
Interest income	**(171,810)**	(146,774)
Unrealised exchange (gain) loss	**(241,413)**	268,535
Operating cash flows before working capital changes	**4,881,287**	9,877,455
Movements in working capital:		
(Increase) Decrease in trade receivables	**(3,955,989)**	7,948,982
(Increase) Decrease in other receivables and deposits	**(1,142,731)**	(1,680,438)
Decrease (Increase) in contract assets	**2,180,339**	(7,161,200)
(Increase) Decrease in amounts due from related companies	**(299,160)**	8,274,794
Increase (Decrease) in trade and other payables	**710,772**	(5,488,612)
Decrease in amounts due to related companies	**—**	(1,889,619)
Increase (Decrease) in contract liabilities	**1,873,852**	(6,894,838)
Cash generated from operations	**4,248,370**	2,986,524
Income tax paid	**(2,022,192)**	(1,744,812)
Net cash from operating activities	**2,226,178**	1,241,712
Investing activities		
Purchase of property, plant and equipment *(Note 36)*	**(7,451,170)**	(3,129,035)
Purchase of investment property	**(7,797,774)**	(5,397,543)
Proceeds from disposal of property, plant and equipment	**—**	5,588
Repayment from related companies	**—**	21,740
Interest received	**40,639**	117,930
Proceeds from disposal of an available-for-sale investment	**3,000,000**	—
Net cash used in investing activities	**(12,208,275)**	(8,381,320)

As at 31 December 2018

	2018 S$	2017 S$
Financing activities		
Proceeds of borrowings	10,150,000	—
Interest paid	(207,618)	(116,796)
Repayments of borrowings	(99,310)	(272,556)
Repayments of finance leases	(11,766)	(111,993)
Advances from related companies	—	46,523
Repayment of advances from related companies	—	(71,384)
Repayment of advances from directors	—	(35,096)
Advances from a shareholder	—	354,814
Repayment to a shareholder	—	(448,679)
Dividends paid	—	(5,000,000)
Proceeds from issue of new shares	—	17,372,814
Listing expenses paid	—	(1,808,209)
Net cash from financing activities	9,831,306	9,909,438
Net (decrease) increase in cash and cash equivalents	(150,791)	2,769,830
Cash and cash equivalents at beginning of the year	32,231,219	29,729,924
Effect of foreign exchange rate changes on the balance of cash	241,413	(268,535)
Cash and cash equivalents at end of the year, represented by bank balances and cash	32,321,841	32,231,219

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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 Company is at 20 Sin Ming Lane, #06-66, Midview City, Singapore 573968. Subsequent to year ended 31 December 2018, the head office and principal place of business of the Group has changed to No. 1 Tampines North Drive 3, #08-01, BHCC SPACE, Singapore 528499. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 12 September 2017.

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

The Company is an investment holding company and the principal activities of its operating subsidiaries are the provision of building construction services. The 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 29 March 2019.

2 GROUP REORGANISATION AND BASIS OF PREPARATION

In the previous financial year, for the purpose of the listing of the Company's shares on the Main Board of the Stock Exchange, the Group underwent a group reorganisation ("Group Reorganisation").

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 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amended IFRSs that are effective for the current year

For the purpose of preparing and presenting the consolidated financial statements for the year ended 31 December 2018, the Group has consistently applied the accounting policies which conform with IFRSs, which are effective for the accounting period beginning on 1 January 2018. Except for the change in classification of retention sum and accrued revenue from trade receivables under IAS 11 to contract assets under IFRS 15, the application of IFRS 15 on 1 January 2018 has no impact on the timings and amounts of revenue recognised in the respective reporting periods. The accounting policies for contract revenue recognition under IFRS 15 are set out in Note 4 below. The amount of adjustment for each financial statement line item affected by the application of IFRS 15 is presented below.

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

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

Impact on consolidated cash flow as at 31 December 2017

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

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

New and amended IFRSs that are effective for the current year (Continued)

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

The Group applied IFRS 9 with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39 as permitted under IFRS 9 transitional provision. Except for the change in the measurement of the available-for- sale investments from stated at cost less impairment to fair value through profit or loss, application of IFRS 9 on 1 January 2018 has no impact on the financial position of the Group with regard to classification and measurement of financial instruments nor has any material additional impairment been recognised upon application of expected loss approach as at same date. The accounting policies for financial instruments under IFRS 9 are set out in Note 4 below. The Group adjusted the fair value changes on investments in equity instrument designated as at FVTPL against accumulated profits as at 1 January 2018 of S$275,090.

New and revised IFRSs in issue but not yet effective

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

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

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

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

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

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

New and revised IFRSs in issue but not yet effective (Continued)

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

IFRS 16 Leases

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

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

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

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

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

As at 31 December 2018, the Group has non-cancellable operating lease commitments of S$246,447 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.

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

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 ("IASB").

In addition, the consolidated financial statements include applicable disclosures required by Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the applicable disclosures required by the Companies Ordinance ("CO").

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 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of assets*.

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 recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses 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; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, the Group 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 customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue from provision of building and construction works is described in the accounting policy on construction contracts below.

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

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

Service income is recognised when the services are provided.

Construction contracts

Revenue from project works is recognised over time during the course of construction by reference to the progress towards complete satisfaction at the end of the reporting period. Progress towards complete satisfaction is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation (i.e. contract costs incurred for work performed to date) relative to the total expected inputs to the satisfaction of that performance obligation (i.e. total estimated contract cost), that best depict the Group's performance in transferring control of goods or services.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction contracts (Continued)

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Initial recognition under IAS 39 and IFRS 9

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

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

Before the adoption of IFRS 9 on 1 January 2018

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.

Financial assets are classified into "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of 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).

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, amounts due from a director and related parties) 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 recognition of interest would be immaterial.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis.

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 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 borrower will enter bankruptcy or financial reorganisation.

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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed for subsequent periods.

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 credit period of 30 to 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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. 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.

After the application of IFRS 9

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the 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.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the 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.

By default, all other financial assets are measured subsequently at fair value through profit or loss ("FVTPL").

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Financial assets at amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. All recognised financial assets of the Group that are within the scope of IFRS 9 (including trade receivables, other receivables, bank balances and cash) are subsequently measured at amortised costs.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables, bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets and measures the lifetime ECL for portfolios of trade receivables and contract assets that share similar economic risk characteristics. The ECL on these financial assets are estimated using an analysis of assets by risk level of customers and apply a probability-weighted estimate of the credit losses within the relevant risk type. The probability-weighted estimate of the credit losses is determined based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from financial analysts and governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default (i.e. no default history); (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are past due over two years, whichever is earlier. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

- Nature, size and industry of debtors; and

- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

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 party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification of financial liabilities and equity instruments

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

Equity instruments

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

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).

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity (Continued)

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination; (ii) held-for-trading; or (iii) designated measured as at FVTPL, are subsequently at amortised cost using the 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 periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (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 amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. 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 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.

Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Group recognises contract revenue and profit of a construction contract during the course of construction by reference to the progress towards complete satisfaction at the end of the reporting period. Progress towards complete satisfaction is measured based on the input method. Estimated construction revenue is determined with reference to the terms of the relevant contracts. Contract costs which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major subcontractors or suppliers involved and the experience of the management. Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Construction contracts (Continued)

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 costs. The actual outcomes in terms of total contract costs or contract 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.

The carrying amounts of contract assets and current liabilities arising from construction contracts are disclosed in Note 20 to the financial statements.

Estimated impairment of receivables (Note 18)

Prior to 1 January 2018, 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. Where the actual future cash flows are less than expected, an impairment may arise. During the year ended 31 December 2017, no loss allowance was recomputed. The carrying amounts of the trade receivables are disclosed in Note 18 to the financial statements.

Starting from 1 January 2018, the Group recognises lifetime ECL for trade receivables, using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

The carrying amounts of trade receivables are disclosed in Note 18 to the financial statements.

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:

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

Information about the major customers

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

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

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

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

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

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

Geographical information

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

7 a. OTHER INCOME

	2018 S$	2017 S$
Government grants *(Note)*	**225,284**	353,154
Service income on secondment of labour and subcontracting fee, net	**20,088**	81,944
Interest income	**171,810**	146,774
Rental income *(Note 28)*	**134,500**	15,200
Others	**—**	21,700
	551,682	618,772

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

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

7 a. OTHER INCOME (CONTINUED)

Note: (Continued)

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

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

b. OTHER GAINS AND LOSSES

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

c. OTHER EXPENSES

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

8 FINANCE COSTS

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

9 INCOME TAX EXPENSE

	2018 S$	2017 S$
Tax expense comprises:		
Current tax		
— Singapore corporate income tax ("CIT")	650,050	2,079,450
— (Over) Underprovision of prior year's tax	(62,732)	131,104
Deferred tax expense *(Note 26)*	(83,533)	23,000
	503,785	2,233,554

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

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

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

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

10 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

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

Notes:

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

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

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

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

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 2018

	Fees S$	Discretionary bonus *(Note a)* S$	Salaries and allowances S$	Contributions to retirement benefit scheme *(Note b)* S$	Total S$
Executive Directors					
Mr. Yang Xinping	100,000	60,000	264,000	17,340	441,340
Ms. Han Yuying	100,000	60,000	264,000	17,340	441,340
Independent Non-Executive Directors					
Ms. Chan Bee Leng	21,820	—	—	—	21,820
Mr. Ooi Soo Liat	21,820	—	—	—	21,820
Ms. Li Xueling, Sharlene	21,820	—	—	—	21,820
	265,460	120,000	528,000	34,680	948,140

11 DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Directors' emoluments (Continued)

Year ended 31 December 2017

	Fees S$	Discretionary bonus *(Note a)* S$	Salaries and allowances S$	Contributions to retirement benefit scheme *(Note b)* S$	Total 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

Notes:

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 Ms. 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 year.

11 DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2017: two) were directors of the Company during the year ended 31 December 2018 whose emoluments are included in the disclosures above. The emoluments of the remaining three (2017: three) individuals were as follows:

	2018 S$	2017 S$
Salaries and allowances	518,400	549,900
Discretionary bonus	91,500	118,200
Contributions to retirement benefits scheme	52,020	52,020
	661,920	720,120

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

	Number of Employees	
	2018	2017
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 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 dividend was paid or declared by the Company or group entities during the year or subsequent to the year end.

13 EARNINGS PER SHARE

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

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

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

14 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery S$	Computers S$	Motor vehicles S$	Furniture and fittings S$	Freehold properties S$	Leasehold land S$	Leasehold properties under construction S$	Total S$
Cost:								
At 1 January 2017	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
Additions	212,838	28,650	100,000	—	—	—	14,763,067	15,104,555
Reclassification *(Note 17)*	—	—	—	—	(1,743,007)	—	(7,797,744)	(9,540,751)
At 31 December 2018	**4,247,989**	**341,534**	**1,131,984**	**149,199**	**2,532,950**	**7,204,600**	**7,797,745**	**23,406,001**
Accumulated depreciation:								
At 1 January 2017	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
Charge for the year	588,992	92,218	119,555	16,440	106,899	360,230	—	1,284,334
Reclassification *(Note 17)*	—	—	—	—	(79,888)	—	—	(79,888)
At 31 December 2018	**2,842,810**	**268,264**	**850,341**	**114,309**	**116,093**	**570,364**	**—**	**4,762,181**
Carrying amount:								
At 31 December 2017	1,781,333	136,838	301,198	51,330	4,186,875	6,994,466	832,422	14,284,462
At 31 December 2018	**1,405,179**	**73,270**	**281,643**	**34,890**	**2,416,857**	**6,634,236**	**7,797,745**	**18,643,820**

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 one (2017 : 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:

	As at 31 December	
	2018	2017
	S$	S$
Motor vehicles	**61,040**	—

The carrying amount of freehold properties, leasehold land and properties under construction amounting to S$16,848,838 (2017 :S$12,013,763) are pledged to banks to secure bank borrowings as disclosed in Note 25.

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

	As at 31 December	
	2018	2017
	S$	S$
Unquoted equity investment, at cost	**—**	100,000
Quasi-capital loan	**—**	2,624,910
	—	2,724,910

As at 31 December 2017, 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. During the year, the Company sold the available-for-sale investments for S$3,000,000.

17 INVESTMENT PROPERTIES

	As at 31 December	
	2018	2017
	S$	S$
Cost:		
At beginning of the year	**5,397,543**	—
Reclassification *(Note 14)*	**9,540,751**	5,397,543
At end of the year	**14,938,294**	5,397,543
Accumulated depreciation:		
At beginning of the year	**112,449**	—
Reclassification *(Note 14)*	**79,888**	83,722
Charge for the year	**134,938**	28,727
At end of the year	**327,275**	112,449
Carrying amount:		
At end of the year	**14,611,019**	5,285,094

As at 31 December 2018, investment properties of the Group comprises of (i) freehold properties consist of four (2017: three) strata title light industrial units located at 11 Irving Place, Singapore 369551 and (ii) leasehold property at Tampines North Drive 3 with a tenure of 20 years.

The leasehold property is a mixed commercial and industrial building, which is under construction and substantially completed construction as at year end. Half of the building is intended for the Group's own use, and classified as property, plant and equipment. The other half of the building is intended to earn rental income and has been transferred from property, plant and equipment to investment properties during the current financial year.

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.

The freehold properties is depreciated on a straight-line basis over 40 years. No depreciation is charged for the leasehold properties under construction.

As at 31 December 2018, the fair values of the freehold properties and leasehold property recorded as investment properties amounted to S$7,300,000 (2017: S$7,300,000) and S$15.5 million respectively 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.

17 INVESTMENT PROPERTIES (CONTINUED)

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

The property rental income from the Group's freehold properties all of which are leased out under operating leases, amounted to S$134,500 (2017: S$15,200). Direct operating expenses (including repairs and maintenance) arising from the rental-generating freehold properties amounted to S$34,603 (2017: S$5,531).

The carrying amount of investment properties amounting to S$14,611,019 (2017: S$5,285,094) are pledged to banks to secure bank borrowings as disclosed in Note 25.

18 TRADE RECEIVABLES

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

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

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

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

18 TRADE RECEIVABLES (CONTINUED)

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

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

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

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

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

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

Starting from 1 January 2018, the Group applied simplified approach to provide the expected credit losses prescribed by IFRS 9. The impairment methodology is set out in Notes 4 and 35(c) respectively.

As part of the Group's credit risk management, the Group assesses the impairment for its customers based on different group of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Details of the credit risk assessment are included in Note 35(c).

18 TRADE RECEIVABLES (CONTINUED)

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

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

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

19 OTHER RECEIVABLES AND DEPOSITS

	As at 31 December	
	2018 S$	2017 S$
Current		
Deposits	573,121	227,808
Deposits paid for performance bond	454,500	454,500
Sundry debtors	49,678	89,267
Goods and Service Tax ("GST") receivable	526,415	625,720
Others	133,471	54,758
	1,737,185	1,452,053
Non-current		
Deposits paid for performance bond	1,360,390	1,360,390

20 CONTRACT ASSETS/LIABILITIES

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

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

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

Contract assets

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

The Group's contract assets are analysed as follows:

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

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

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

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

20 CONTRACT ASSETS/LIABILITIES (CONTINUED)

Contract assets (Continued)

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

There were provisions made for contract losses amounting to S$63,103 recorded during year ended 31 December 2018 (2017: S$Nil).

Contract liabilities

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

The Group's contract liabilities are analysed as follows:

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

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

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

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

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

a. Amounts due from related companies

	As at 31 December	
	2018	2017
	S$	S$
		(Restated)
Trade related	**1,432,626**	1,133,466

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:

	As at 31 December	
	2018	2017
	S$	S$
		(Restated)
Within 90 days	**1,432,626**	1,133,466

b. Amounts due from (to) shareholders

The balance as at 31 December 2018 and 31 December 2017 is non-trade nature, unsecured, non-interest bearing and repayable on demand.

22 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 31 December	
	2018	2017
	S$	S$
Cash and bank balances *(Note A)*	**33,310,611**	32,231,219
Less: pledged deposit for performance bond *(Note B)*	**(988,770)**	—
Cash and cash equivalents in the statement of cash flows	**32,321,841**	32,231,219

Note A: Other than time deposits amounting to S$15,677,300 (2017: S$10,000,000) which carry fixed interest at 1.38% to 2.25% (2017: 1.08% to 1.12%) per annum as at 31 December 2018, the remaining balances do not carry interest.

Note B: As at 31 December 2018, the Group has pledged a deposit of S$988,770 for a performance bond which will be matured on 7 April 2021.

23 TRADE AND OTHER PAYABLES

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

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

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

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

24 OBLIGATIONS UNDER FINANCE LEASE

	Minimum lease payments as at 31 December		Present value of minimum lease payments as at 31 December	
	2018	2017	**2018**	2017
	S$	S$	**S$**	S$
Amounts payable under finance leases:				
Within one year	**15,468**	—	**14,572**	—
More than one year but not exceeding two years	**18,018**	—	**17,662**	—
	33,486	—	**32,234**	—
Less: Future finance charges	**(1,252)**	—		
Present value of lease obligations	**32,234**	—		
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(14,572)**	—
Amount due for settlement after one year			**17,662**	—

Interest rates underlying all obligations under finance leases as at 31 December 2018 were fixed at respective contract dates ranging from 1.38% to 2.99% per annum.

25 BORROWINGS

	As at 31 December	
	2018	2017
	S$	S$
Bank loan — secured	**16,264,466**	6,213,776
Analysed as:		
Carrying amount repayable within one year	**982,815**	292,101
Carrying amount repayable more than one year, but not exceeding two years	**1,246,508**	296,827
Carrying amount repayable more than two years, but not exceeding five years	**3,789,622**	1,251,050
Carrying amount repayable more than five years	**10,245,521**	4,373,798
	16,264,466	6,213,776
Amount due within one year shown under current liabilities	**(982,815)**	(292,101)
Amount shown under non-current liabilities	**15,281,651**	5,921,675

(i) As at 31 December 2018 and 2017, a loan of S$7.5 million was secured by the legal mortgage over the Group's freehold properties and investment properties carrying fixed interest rates fixed at 1.98% per annum for the first three years and a prevailing three-month SIBOR plus 1.88% and 3.00% per annum for the fourth and fifth year and subsequently years thereafter respectively. The loan is in its fourth year as at 31 December 2018.

(ii) As at 31 December 2018, a loan of S$15.4 million was secured by the legal mortgage over the Group's mixed commercial and industrial development property carrying interest rate of 1.25% over the bank's Cost of Funds or 1.25% over the applicable SWAP Offer Rate as determined by the bank on the day of transaction, whichever higher.

26 DEFERRED TAX LIABILITIES

	As at 31 December	
	2018	2017
	S$	S$
As at 1 January	**305,000**	282,000
Recognised in profit or loss during the year:		
Accelerated tax depreciation *(Note 9)*	**(83,533)**	23,000
As at 31 December	**221,467**	305,000

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 and 31 December 2018	5,000,000,000	0.01	50,000,000

27 SHARE CAPITAL (CONTINUED)

	Number of shares	Share capital S$
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 and 31 December 2018	800,000,000	1,389,830

Notes:

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.

27 SHARE CAPITAL (CONTINUED)

Notes: (Continued)

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), rank *pari passu* in all respects with all the then existing shares.

28 OPERATING LEASE COMMITMENTS

The Group as lessee

	2018 S$	2017 S$
Minimum lease payments paid during the year under operating lease in respect of staff dormitories, warehouse, office and heavy machinery	1,193,985	560,198

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

	As at 31 December	
	2018 S$	2017 S$
Within one year	202,747	169,692
After one year but within five years	43,700	32,490
	246,447	202,182

The leases have tenures ranging from one to two years (2017: 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.

28 OPERATING LEASE COMMITMENTS

The Group as lessor

	2018 S$	2017 S$
Minimum lease income received during the year under operating lease in respect of investment properties and warehouse space	**134,500**	15,200

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

	As at 31 December	
	2018 **S$**	2017 S$
Within one year	**162,000**	122,016
After one year but within five years	**45,500**	115,296
	207,500	237,312

The leases have tenures of two years (2017: two years) 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. For the year ended 31 December 2018, 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$480,314 for the year ended 31 December 2018 (2017: S$522,813) represent contributions paid to the retirement benefits scheme by the Group.

As at 31 December 2018, contributions of S$132,505 (2017: S$82,223) 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:

	2018 S$	2017 S$
Progress billing for provision of building and construction works to a related company	**1,825,890**	1,549,431
Provision of site support to a related company	**—**	374,121
Purchase of subcontracting work from related companies	**—**	167,448
Purchase of hardware from a related company	**—**	160,551
Rental expense to related companies	**130,440**	130,440
Utilities fees incurred from a related company	**—**	45,435

Compensation of key management personnel

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

	2018 S$	2017 S$
Short term benefits	**1,379,086**	1,418,609
Post-employment benefits	**75,650**	81,685
Total compensation	**1,454,736**	1,500,294

31 PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company as at 31 December 2018 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$1,000,000	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$	Interest payable *(Note 23)* S$	Total S$
1 January 2018	6,213,776	—	—	6,213,776
Financing cash flows	10,050,690	(11,766)	(207,618)	9,831,306
Non-cash changes				
Acquisition of motor vehicle through finance lease *(Note 36)*	—	44,000	—	44,000
Finance costs	—	—	225,923	225,923
31 December 2018	16,264,466	32,234	18,305	16,315,005

32 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	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 a shareholder *(Note 21)* S$	Interest payable *(Note 23)* S$	Total S$
1 January 2017	4,131,841	111,993	24,861	35,096	93,865	—	4,397,656
Financing cash flows	(272,556)	(111,993)	(24,861)	(35,096)	(93,865)	(116,796)	(655,167)
Non-cash changes							
Payment for properties financed by direct mortgage loan drawdown *(Note 36)*	2,354,491	—	—	—	—	—	2,354,491
Finance costs	—	—	—	—	—	116,796	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:

	As at 31 December	
	2018	2017
	S$	S$
ASSETS AND LIABILITIES		
Non-current asset		
Investment in a subsidiary	**1**	1
	1	1
Current assets		
Amount due from a subsidiary	**1,560**	1,560
Other receivables	**—**	2,112
Amount due from shareholders	**182**	182
Bank balances and cash	**12,643,461**	14,456,020
	12,645,203	14,459,874
Current liabilities		
Other payables	**(90,001)**	(91,615)
Amount due to subsidiaries	**(1,022,548)**	(2,588,182)
	(1,112,549)	(2,679,797)
Net current assets	**11,532,654**	11,780,077
Total assets less current liabilities, representing net assets	**11,532,655**	11,780,078
EQUITY		
Capital and reserves		
Share capital	**(1,389,830)**	(1,389,830)
Share premium	**(14,176,517)**	(14,176,517)
Accumulated profits	**4,033,692**	3,786,269
Equity attributable to owners of the Company	**(11,532,655)**	(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	Accumulated losses	Total
	S$	S$	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
Total comprehensive loss for the year:			
Loss for the year	—	(247,423)	(247,423)
At 31 December 2018	14,176,517	(4,033,692)	10,142,825

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

	As at 31 December	
	2018	2017
	S$	S$
		(Restated)
Financial assets		
— *Loans and receivables*		
Trade receivables	**5,641,686**	1,685,697
Contract assets	**15,105,683**	17,286,022
Other receivables and deposits*	**2,571,160**	2,186,723
Amount due from related companies	**1,432,626**	1,133,466
Amount due from shareholders	**182**	182
Bank balances and cash	**33,310,611**	32,231,219
	58,061,948	54,523,309
— *AFS financial assets*		
Available-for-sale investments	**—**	2,724,910
	58,061,948	57,248,219
Financial liabilities		
— *Amortised cost*		
Trade and other payables*	**30,281,899**	29,746,171
Obligations under finance lease	**32,234**	—
Borrowings	**16,264,466**	6,213,776
	46,578,599	35,959,947

* GST receivables and GST payables are excluded.

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.

As at 31 December 2017, none of the financial instruments bear a variable interest rate that is subject to cash for interest rate risk and no sensitivity analysis is prepared.

As at 31 December 2018, the Group has borrowings at variable rates totalling S$16,264,466 and is therefore exposed to interest rate risks arising from the variability of cash flows.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the profit before income tax for the year ended 31 December 2018 of the Group would decrease/increase by $81,322.

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:

	As at 31 December	
	2018	2017
	S$	S$
Assets		
Hong Kong Dollars ("HK$")	**14,383,261**	14,456,020
United States Dollars ("US$")	**708,362**	693,637

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$1,438,326 for the year ended 31 December 2018 (2017: S$1,445,602).

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$70,836 for the year ended 31 December 2018 (2017: S$69,363).

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 2018 as a component of bank balances and cash is S$14,383,261 (2017: S$14,456,020), placed in a bank in Hong Kong. The remaining bank deposits and balances are placed in three banks 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 2018 and 2017.

35 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management objectives and policies (Continued)

(c) Credit risk (Continued)

Before adoption of IFRS 9 as at 1 January 2018

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.

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 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.

After adoption of IFRS 9 as at 1 January 2018

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of 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 arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group is exposed to concentration of credit risk at 31 December 2018 on trade receivables from the Group's top five major customers accounted for 54% of the Group's total trade receivables. The major customers of the Group are certain reputable organisations.

35 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management objectives and policies (Continued)

(c) Credit risk (Continued)

After adoption of IFRS 9 as at 1 January 2018 (Continued)

In order to minimise credit risk, the Group has delegated its finance team to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The finance team uses publicly available financial information and the Group's own historical repayment records to rate its major customers and debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL — not credit-impaired
In default	There is evidence indicating the asset is credit impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The directors of the Company considered that the ECL for trade receivables, other receivables and deposits and contract assets is insignificant as at 31 December 2018.

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.

35 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management objectives and policies (Continued)

(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 2018 and 2017 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.

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 2018								
Non-interest bearing instruments								
Trade and other payables	—	**30,281,899**	—	—	—	—	**30,281,899**	**30,281,899**
Fixed interest bearing instruments								
Finance lease	**1.38-2.99**	**3,867**	**3,867**	**7,734**	**18,018**	—	**33,486**	**32,234**
Variable interest bearing instruments								
Borrowings	**2.37–2.64**	**168,026**	**428,965**	**852,834**	**12,299,097**	**4,653,431**	**18,402,353**	**16,264,466**
Total		**30,453,792**	**432,832**	**860,568**	**12,317,115**	**4,653,431**	**48,717,738**	**46,578,599**
As at 31 December 2017								
Non-interest bearing instruments								
Trade and other payables	—	29,746,171	—	—	—	—	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	37,136,077	35,959,947

As at 31 December 2018, the Group had available S$6,003,437 (2017: S$941,796) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

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 2018 and 2017.

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 2018, (a) the additional cost of acquiring motor vehicles of S$44,000 was financed by hire purchase; (b) the cost of leasehold properties under construction amounting to S$7,797,744 were transferred to investment properties; (c) S$188,359 was paid to settle the payable for acquisition of properties outstanding as at 31 December 2017 with S$753,437 remain unpaid as at 31 December 2018 (Note 23).

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 freehold 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 PERFORMANCE BONDS

As at 31 December 2018, the Group has provided performance bonds in favour of the customers amounting to approximately S$20,799,304 (2017: S$27,526,718).

38 COMMITMENTS

	As at 31 December	
	2018 **S$**	2017 S$
Commitments for acquisition of property, plant and equipment	—	490,000

39 GUARANTEES

As at 31 December 2018 and 2017, the Company and its subsidiary has provided a joint guarantee to a bank in respect of a loan facility granted to another subsidiary amounting to S$7.5 million.

As at 31 December 2018, the Company has provided guarantees to a bank in respect of a loan facility granted to its subsidiary amounting to S$15.4 million.

The management is of the view that the fair value of the financial guarantees provided by the Company are not significant.