INDIGO STAR HOLDINGS LIMITED
靛藍星控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8373)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Indigo Star Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

The board (the "Board") of Directors is pleased to announce the audited results of the Company and its subsidiaries (collectively referred to as the "Group") for year ended 31 December 2017 (the "Reporting Year"), together with audited comparative figures for the corresponding preceding year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** **S$'000**	2016 S$'000
Revenue	*4*	**45,196**	30,068
Direct cost		**(32,900)**	(24,286)
Gross profit		**12,296**	5,782
Other income, net	*5*	**393**	163
Administrative expenses		**(8,701)**	(2,626)
Finance costs		**(40)**	(37)
Profit before taxation	*7*	**3,948**	3,282
Income tax expense	*6*	**(1,345)**	(308)
Profit for the year		**2,603**	2,974
Other comprehensive expenses, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(11)**	–
Other comprehensive expenses for the year, net of income tax		**(11)**	–
Profit and other comprehensive income for the year		**2,592**	2,974
Earnings per share:			
— basic and diluted (Singapore cents)	*9*	**0.84**	0.99

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	**2017** **S$'000**	2016 S$'000
Non-current assets			
Investment property		**258**	263
Property, plant and equipment		**2,050**	2,297
Retention sum receivables	*10*	**7,574**	4,155
		9,882	6,715
Current assets			
Trade and retention sum receivables	*10*	**5,174**	2,684
Amounts due from customers for contract works		**2,077**	4,426
Prepayments, deposits and other receivables		**784**	883
Amount due from a director		**–**	4,491
Amount due from a related company		**–**	93
Cash and cash equivalents		**13,820**	7,015
		21,855	19,592
Current liabilities			
Trade and retention sum payables	*11*	**1,915**	1,499
Amounts due to customers for contract works		**4,272**	5,282
Other payables and accruals		**6,786**	6,513
Amount due to a director		**–**	954
Amounts due to related companies		**–**	706
Bank borrowing		**675**	771
Obligations under finance leases		**166**	188
Tax payables		**1,217**	414
		15,031	16,327
Net current assets		**6,824**	3,265
Total assets less current liabilities		**16,706**	9,980
Non-current liabilities			
Deferred tax liabilities		**30**	–
Obligations under finance leases		**23**	183
		53	183
Net assets		**16,653**	9,797
Capital and reserves attributable to owners of the Company			
Share capital		**695**	3,100
Reserves		**15,958**	6,697
Total equity		**16,653**	9,797

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 8 March 2017. The Company's immediate and ultimate holding company is Amber Capital Holding Limited ("Amber Capital"), a company incorporated in the British Virgin Islands ("BVI") with limited liability. The Company's shares were initially listed on the GEM on 16 November 2017 (the "Listing").

The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The head office and principal place of business of the Group is at #03-08 Quartz Industrial Building, 5 Upper Aljunied Link, Singapore 367903.

The Company is an investment holding company and the Company's subsidiaries are principally engaged in provision of structural reinforced and concrete works in buildings and civil engineering works. The consolidated financial statements are presented in Singapore dollars ("S$"), which is the functional currency of its principal subsidiaries. All values are rounded to the nearest thousand ("S$'000"), except when otherwise indicated.

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

In the current year, the Group has applied for the first time, the following new and revised standards, amendments and interpretations ("new and revised IFRSs") issued by International Accounting Standard Board (the "IASB") that are effective for the financial year beginning on or after 1 January 2017.

IAS 7 (Amendments)	Disclosure Initiative
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

In the opinion of Directors, the application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior periods and on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRSs (Amendments)	Annual Improvement Cycle 2014–2016[1]
IFRSs (Amendments)	Annual Improvements to IFRSs 2015–2017 Cycle[2]
IFRS 2 (Amendments)	Classification and Measurement of Share-Based Payment Transaction[1]
IFRS 4 (Amendments)	Insurance Contracts[1]
IFRS 9	Financial Instruments[1]
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation[2]
IFRS 10 and IAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 15 (Amendments)	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[3]
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[3]
IAS 28 (Amendments)	Long-term interests in associates and joint ventures[2]
IAS 28 (Amendments)	As part of the Annual Improvements to IFRSs 2014–2016 Cycle[1]
IAS 40 (Amendments)	Transfers of Investment Property[1]
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for annual periods beginning on or after a date to be determined

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

IFRS 9 Financial Instruments

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

Specifically, pursuant to IFRS 9, all recognised financial assets that are within the scope of IAS 39 *Financial Instruments*:

Key requirements of IFRS 9 and described below:

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

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

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

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39 under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Except for the potential early recognition of credit losses based on the expected credit loss model in relation to the Group's financial assets measured at amortised costs, additional disclosure in respect of trade and retention sum receivables and other receivables including any significant judgements and estimation made, and enhanced disclosures about the Group's risk management activities, the management of the Group anticipates that the adoption of IFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2017.

IFRS 15 Revenue from Contracts with Customers

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

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

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

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance. The criteria in IFRS 15 for identifying performance obligations differ from the little guidance in IAS 11, which could result in different conclusions about the separately identifiable components. For example, the Group may currently consider an entire construction contract to be a single component, but under IFRS 15, it may determine that the contract contains two or more performance obligations that would be accounted for separately. The Directors anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported as the timing of revenue recognition may be affected and more disclosures relating to revenue is required in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The total operating lease commitments of the Group as at 31 December 2017 amounted to approximately S$1,725,000 and had original lease term within 13 months. The Directors do not expect the adoption of IFRS 16 would result in significant impact on the Group's financial performance, but it is expected that certain portion of the lease commitments will be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

3. SEGMENT INFORMATION

The Group operates in one operating segment which is the provision of structural reinforced and concrete works in general building and civil engineering works. A single management team reports to the Directors (being the chief operating decision-maker ("CODM") who comprehensively manage the entire business. The CODM reviews revenue by nature of contracts, i.e. "General Building Projects" and "Civil Engineering Projects" and profit for the year as a whole. Accordingly, the Group does not present separately segment information. No analysis of the Group's results by type of works nor assets and liabilities is regularly provided to the CODM for review. In addition, all of the Group's revenue is generated in Singapore and all of the Group's assets and liabilities are located in Singapore. Accordingly, no business or geographical segment information is presented.

Revenue from major customers

Revenue from customers over 10% of the Group's total revenue is as follows:

	2017	2016
	S$'000	*S$'000*
Customer A	**9,482**	4,940
Customer B *(note)*	**N/A**	3,195
Customer C	**20,021**	12,716
Customer D	**9,853**	6,815
	39,356	27,666

Note:

The corresponding revenue did not contribute over 10% of the total revenue of the Group during the year.

Geographical information

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

4. REVENUE

	2017	2016
	S$'000	*S$'000*
General building projects	**34,823**	21,859
Civil engineering projects	**10,373**	8,209
	45,196	30,068

5. OTHER INCOME

	2017	2016
	S$'000	*S$'000*
Recovery of bad debt provision	**225**	–
Government grants	**80**	82
Rental income	**11**	28
Interest income	**13**	–
Sundry income	**64**	16
Gain on disposal of property, plant and equipment, net	**–**	37
	393	163

6. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The Singapore Corporate Income Tax rate was 17% during the year ended 31 December 2017 (2016: 17%). Income tax expense for the Group relates wholly to the profits of the subsidiaries, which were taxed at a statutory income tax rate of 17% in Singapore. Major components of income tax expense are summarised as follows:

	2017	2016
	S$'000	*S$'000*
Current tax		
— Singapore Corporate Income Tax ("CIT")	**1,256**	399
Under/(over) provision in respect of prior year	**59**	(91)
Deferred tax expenses	**30**	–
	1,345	308

7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2017	2016
	S$'000	*S$'000*
Auditors' remuneration		
— Audit service	**222**	29
— Non-audit service	**–**	–
Material used	**11,368**	6,482
Subcontracting charges	**5,616**	5,533
Depreciation on property, plant and equipment	**302**	304
Depreciation on investment property	**5**	5
Listing expenses	**3,514**	–
Employee benefit expenses (including directors' emoluments)		
Salaries and other employee benefits	**16,869**	12,825
Contributions to defined contribution retirement plan	**320**	225
Total employee benefit expenses (including directors' emoluments)	**17,189**	13,050

8. DIVIDENDS

Prior to the Group reorganisation to rationalise the Group structure in preparation of the Listing, IEPL had declared dividend in aggregate amounts of S$2,500,000 during the year ended 31 December 2016 to its then shareholder.

On 19 April 2017, a special dividend in aggregate amount of approximately S$4,500,000 has been proposed by the directors of IEPL and subject to approval by the shareholders. On 13 October 2017, the special dividend was declared to its then shareholders.

No dividend has been declared or paid by the Company since its date of incorporation.

The Directors do not recommend the payment of any dividend of the year ended 31 December 2017.

9. EARNINGS PER SHARE

	2017	2016
	S$'000	*S$'000*
Profit for the year attributable to owners of the Company	**2,603**	2,974
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**308,333**	300,000
Basic earnings per share (Singapore cents)	**0.84**	0.99

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average number of shares in issue. The number of shares for the purpose of basic earnings per share for the year ended 31 December 2016 is based on 300,000,000 shares, which were issued pursuant to the capitalisation issue, and deemed to have been issued since 1 January 2016.

Diluted earnings per share is the same as the basic earnings per share because there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2017 and 2016.

10. TRADE AND RETENTION SUM RECEIVABLES

	2017	2016
	S$'000	*S$'000*
Trade receivables	**4,662**	1,792
Retention sum receivables	**8,386**	5,572
	13,048	7,364
Less: Provision for bad debt	**(300)**	(525)
	12,748	6,839

	2017	2016
	S$'000	*S$'000*
Current portion	**5,174**	2,684
Non-current portion	**7,574**	4,155
	12,748	6,839

Credit period granted to the Group's customers generally within 35 days from invoice date of the relevant contract revenue. The terms of some construction contracts stipulate that the customers withhold a portion of total contract sum (usually 5% to 10%) and will be settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract.

The non-current portion represented retention sum receivables only.

11. TRADE AND RETENTION SUM PAYABLES

	2017	2016
	S$'000	*S$'000*
Trade payables	**1,765**	1,335
Retention sum payables	**150**	164
	1,915	1,499

Trade and retention sum payables are non-interest bearing. Trade payables are generally settled on 30-day terms. The terms and conditions in relation to the release of retention vary from contract to contract, which usually within 1 year and subject to practical completion, the expiry of the defect liability period or a pre-agreed time period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Our results for the year ended 31 December 2017 were promising. Our Group has completed two projects, namely Project Sengkang General Hospital 2 and Project SICC and has been awarded for two projects, namely Project Tanjong Penjuru and Project Woodlands during the year ended 31 December 2017. Public sector projects remained the major contributor to our revenue and had contributed approximately S$38.4 million (2016: S$21.8 million), representing by approximately 85.0% (2016: 72.5%) of our total revenue for the year ended 31 December 2017. Our outstanding contract value as at 31 December 2017 was approximately S$50.6 million.

FINANCIAL REVIEW

Revenue

Revenue increased by approximately S$15.1 million, or approximately 50.3%, from approximately S$30.1 million for the year ended 31 December 2016 to approximately S$45.2 million for the year ended 31 December 2017. The increase was mainly attributable to the increase in revenue of approximately S$10.6 million and S$6.4 million recognised for Project Outram Community Hospital and Project New State Courts respectively, as a result of greater portions of works performed during the year ended 31 December 2017. The effect was partially offset by the decrease in revenue of approximately S$1.3 million recognised for Project Tanjong Pagar Mixed Development as it was substantially completed in the prior year.

Direct costs

Direct costs increased by approximately S$8.6 million, or approximately 35.5%, from approximately S$24.3 million for the year ended 31 December 2016 to approximately S$32.9 million for the year ended 31 December 2017.

Direct costs mainly comprised of (i) material costs of approximately S$11.4 million (2016: S$6.5 million); and (ii) direct labour of approximately S$13.3 million (2016: S$10.2 million) for the year ended 31 December 2017. Such increase was mainly attributable to significant portions of works being performed for Project Outram Community Hospital and Project New State Courts during the year ended 31 December 2017.

Gross profit and gross profit margin

Gross profit recorded approximately S$12.3 million for the year ended 31 December 2017 (2016: S$5.8 million). The increase was mainly due to (i) increase in profit recognised for Project Outram Community Hospital and Project New State Courts and (ii) receipt of final account for Project Sengkang General Hospital 2 upon completion of negotiation with the customer during the year ended 31 December 2017.

Gross profit margin increased from approximately 19.2% for the year ended 31 December 2016 to 27.2% for the year ended 31 December 2017. The increase was mainly due to receipt of final account for Project Sengkang General Hospital 2 while the project had been completed and relevant costs had been recognised in the prior year.

Other income, net

Other income for the year ended 31 December 2017 was approximately S$0.4 million (2016: S$0.2 million). The increase in other income was mainly due to recovery of retention sum receivable of approximately S$0.2 million which had been written off in previous years.

Administrative expenses

Administrative expenses for the year ended 31 December 2017 amounted to approximately S$8.7 million (2016: S$2.6 million). The increase was mainly due to (i) professional fees incurred for the Listing of approximately S$3.5 million; (ii) the Directors' remuneration by approximately S$0.9 million incurred for the year ended 31 December 2017; (iii) increase in staff costs by approximately S$0.3 million; and (iv) travelling and accommodation expenses of approximately S$0.6 million.

Finance costs

Finance costs remained relatively stable at approximately S$40,000 for the year ended 31 December 2017 (2016: S$37,000).

Income tax expenses

Income tax expense for the year ended 31 December 2017 amounted to approximately S$1.3 million (2016: S$0.3 million, and the effective tax rate was approximately 34.1% (2016: 9.4%). The effective tax rate was higher than the statutory tax rate of 17% in Singapore, which was mainly due to the recognition of professional fees incurred for the Listing of approximately S$3.5 million which were not tax deductible, amongst others.

Profit for the year

As a result of the foregoing, profit for the year ended 31 December 2017 decreased by approximately S$0.4 million, or approximately 12.5%, from approximately S$3.0 million for the year ended 31 December 2016 to approximately S$2.6 million for the year ended 31 December 2017.

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio of the Group, calculated based on the total current assets divided by the total current liabilities as at 31 December 2017, was 1.5 times (2016: 1.2 times). The increase was mainly due to increase in cash and cash equivalents from the net proceeds received from the Listing.

As at 31 December 2017, the Group had net current assets of approximately S$6.8 million (2016: approximately S$3.3 million), including cash and cash equivalents of approximately S$13.8 million (2016: approximately S$7.0 million).

The gearing ratio, calculated based on the total debt (including borrowings and finance lease payables) divided by total equity, was approximately 5.2% as at 31 December 2017 (2016: approximately 11.7%).

CAPITAL STRUCTURE

The shares of the Company were successfully listed on the GEM on 16 November 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 December 2017, the Company's issued share capital was HK$4.0 million and the number of ordinary shares issued was 400,000,000 of HK$0.01 each.

COMMITMENTS

As lessor

As at 31 December 2016, the Group had leased an industrial building unit which was classified as investment property under operating lease arrangements, with leases negotiated for term ranging from one to two years. The Group had not leased any properties as lessor as at 31 December 2017.

As at 31 December 2017, the total future minimum lease receivables under non-cancellable operating lease arrangements was nil (2016: S$80,000).

As lessee

As at 31 December 2017, the Group had commitments for future minimum lease payments in respect of our dormitories and site equipment under non-cancellable operating lease arrangements, with leases negotiated for an initial period of 1 month to 13 months. The Group's operating lease commitments amounted to approximately S$1.7 million as at 31 December 2017 (2016: approximately S$1.2 million).

As at 31 December 2017, the Group did not have any significant capital commitments (2016: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Saved as disclosed in the prospectus of the Company dated 31 October 2017 (the "Prospectus"), the Group did not have other plans for material investments and capital assets.

During the Reporting Year, the net proceeds from Listing were applied as follows:

	Planned use of proceeds				
	From date of Listing to 31 December 2017	**For the six months ending 30 June 2018**	**For the six months ending 31 December 2018**	Total	Actual use of proceeds up to 31 December 2017
	S$'000	***S$'000***	***S$'000***	*S$'000*	*S$'000*
Acquiring property for the dormitory and cut and bend factory	–	**35,500**	**–**	35,500	–
Renovating the new dormitory and cut and bend factory	–	**–**	**3,300**	3,300	–
Purchasing one single production line of cut and bend system	–	**–**	**4,000**	4,000	–
	—	**35,500**	**7,300**	42,800	–

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2017, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies saved for those related to the corporate reorganisation of the Group to rationalise the group structure in preparation of the Listing.

SIGNIFICANT INVESTMENTS

As at 31 December 2017, the Group did not hold any significant investments (2016: Nil).

CONTINGENT LIABILITIES AND LITIGATIONS

As at 31 December 2017, the Group was involved in certain litigation cases, details of which are set out below. Save for the disclosed, the Group did not have any material contingent liabilities.

As at 31 December 2017, the Group had two common law claims, which had not been brought before the relevant courts in Singapore, in relation to work-related accidents involving foot fracture and hand injury. The claim amount of these two work-related common law claims has not been finalised. It is expected that the claim amount will be fully covered by insurance. There is currently one case where an employee has only claimed medical expenses and loss of wages amounting to approximately S$6,000.

FOREIGN EXCHANGE EXPOSURE

The Group was not exposed to foreign exchange risk during the year ended 31 December 2017 (2016: Nil).

TREASURY POLICIES

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk and liquidity risk. The major classes of financial assets of the Group are cash and cash equivalents, trade and retention sum receivables, amounts due from directors, amounts due from related companies and other receivables.

For trade and retention sum receivables, the Group adopts the policy of dealing only with customers of appropriate credit history. The Group assesses concentration of credit risk by monitoring the individual profile of its trade and retention sum receivables on an ongoing basis. As at 31 December 2017, approximately 96.9%% (2016: 96.6%) of the Group's trade and retention sum receivables were due from the top five customers.

The credit risk on liquid funds is limited because the Group adopts the policy of dealing only with high credit quality counter parties. Other than concentration of credit risk on liquid funds which are deposited with a bank with a high credit rating, the Group does not have any other significant concentration of credit risk.

To ensure sufficient liquidity to meet the liabilities when fall due, the Group's policy is to monitor current and expected liquidity requirements to maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet short and long term liquidity requirements. In particular, the Group monitors and maintains a level of cash and cash equivalents assessed as adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on internally generated funding and borrowings as significant sources of liquidity.

CHARGE OF GROUP'S ASSETS AND SECURITIES FOR BANKING FACILITIES

As at 31 December 2017, the bank borrowings of the Group were secured by the followings:

a. the investment property of the Group; and

b. the leasehold property of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed a total of 557 full-time staff, of which approximately 8.4% were Singapore citizens and residents and approximately 91.6% were foreigners. Total employee benefit expenses, including Directors' emoluments, of the Group amounted to approximately S$17.2 million for the year ended 31 December 2017 (2016: approximately S$13.1 million). Remuneration of the employees is determined with reference to market terms and the performance, qualification and experience of individual employees. In addition to a basic salary, year-end discretionary bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

SHARE OPTION SCHEME

The Group has adopted a share option scheme pursuant to which the Company may grant options to individuals including employees, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company and any subsidiary to acquire shares of the Company. The Directors consider that the share option scheme assists in recruiting and retaining high calibre employees.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS

The net proceeds from the Listing, after deducting the related expenses, were approximately HK$30.6 million. The Company has not yet utilised the proceeds from the Listing as of 31 December 2017 and there has not yet been material business progress as of 31 December 2017 in respect of the business objectives set out in the Prospectus. The Company will pursue the implementation plan as disclosed in the Prospectus.

PROSPECT

Directors considered that the continued construction demand in 2018 is expected to exceed the one in 2017. With the increasing demand, the outlook for the construction industry in Singapore remains optimistic. Going forward, the Group will continue to identify main contractor works and subcontracting works to capture more potential business opportunities in Singapore.

The funds raised from the Listing have laid a solid foundation for the future development of the Group. Looking ahead, the Group will endeavor to strengthen the development of its existing businesses and to provide steady return as well as growth prospects for the Company's shareholders.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of good corporate governance in management and internal procedures so as to achieve effective accountability.

The Company has adopted and complied with the code provisions stated in the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules, except for the following deviation:

Code provision A.2.1 of the CG Code provides that the responsibilities between the chairman and the chief executive officer of an issuer should be segregated and should not be performed by the same individual.

However, the Company does not have a separate chairman and chief executive officer and Mr. Goh Cheng Seng ("Mr. Goh") currently performs these two roles. The Directors believe that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient strategic planning for the overall development for the Group. The Directors also consider that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Group to make and implement effective and expedient decisions. The Company will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

COMPLIANCE WITH CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors (the "Code of Conduct") on terms less than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Directors had made specific enquiries with all Directors and all of them confirmed their compliance with the Code of Conduct from 16 November 2017 (the "Listing Date") and up to the date of this announcement.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities and from Listing Date up to the date of this announcement.

COMPETING INTEREST

The Directors are not aware that any controlling shareholders of the Company (the "Controlling Shareholders") or Directors or their close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly with the Group's business during the Reporting Year.

DEED OF NON-COMPETITION

The Controlling Shareholders, namely Mr. Goh, Ms. Tan Soh Kuan and Amber Capital, had entered into a deed of non-competition dated 24 October 2017 (the "Deed of Non-Competition") in favour of the Company (for itself and as trustee for each of its subsidiaries). The Controlling Shareholders have also confirmed that none of them nor any of his/her close associates is engaged in, involved in or interested in any Group's business (other than being a director or shareholder of the Group) which, directly or indirectly, competes or may compete with the Group's business. For details of the Deed of Non-Competition, please refer to the section headed "Relationship with Controlling Shareholders" in the Prospectus.

Each Controlling Shareholder has confirmed to the Company of his/her compliance with the Deed of Non-Competition from the Listing Date up to the date of this announcement. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the Controlling Shareholders up to the date of this announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the public information available to the Company and within the best knowledge of Directors as the date of this announcement, the Company has maintained the public float of not less than 25% of the Company issued shares as required under GEM Listing Rules since the Listing Date.

INTEREST OF THE COMPLIANCE ADVISER

As at the date of this announcement, except for (i) the participation of Guotai Junan Capital Limited ("GTJA") as the sponsor in relation to the listing of the Company on GEM; and (ii) the compliance adviser agreement entered into between the Company and GTJA, neither GTJA nor any of its directors, employees or associates had any interests in relation to the Group which requires to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Other than the appointment of Mr. Zhou Guangguo on 9 February 2018, there is no significant event of the Company after the Reporting Year.

AUDIT COMMITTEE

The audit committee of the Company has reviewed together with the management and external auditor the accounting principles and policies adopted by the Group, discussed internal controls and financial reporting matters and the audited consolidated financial statements for the year ended 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 30 April 2018 to Friday, 4 May 2018 (both days inclusive) during which period no transfer of Shares may be effected for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting of the Company (the "Annual General Meeting"). In order to be eligible to attend and vote at the Annual General Meeting, all transfer documents accompanied by the relevant share certificate(s) should be lodged for registration with the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 27 April 2018.

PUBLICATION OF 2017 ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2017 containing all the information required by the GEM Listing Rules will be despatched to the shareholders of the Company and will also be published on the website of the Company at http://www.indigostar.sg and the website of the Stock Exchange at www.hkexnews.hk.

By order of the Board
Indigo Star Holdings Limited
Goh Cheng Seng
Chairman and Chief Executive Officer

Hong Kong, 19 March 2018

As at the date of this announcement, the executive Directors are Mr. Goh Cheng Seng, Ms. Tan Soh Kuan and Mr. Ng Sai Cheong; and the independent non-executive Directors are Mr. Ma Yiu Ho Peter, Mr. Tan Kee Cheo, Mr. Yip Ki Chi Luke and Mr. Zhou Guangguo.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on The Stock Exchange of Hong Kong Limited website at www.hkexnews.hk and, in the case of this announcement, on the "Latest Company Announcements" page for at least seven days from the date of its posting. This announcement will also be published on the Company's website at www.indigostar.sg.