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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 2019

CHARACTERISTICS OF 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 2019 (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 2019

	Notes	2019 S$'000	2018 S$'000
Revenue	5	**20,406**	42,556
Cost of sales		**(15,617)**	(35,050)
Gross profit		**4,789**	7,506
Other income and gains	6	**647**	255
Administrative expenses		**(5,301)**	(4,808)
(Allowance for)/reversal of expected credit losses, net		**(30)**	120
Finance costs		**(4)**	(17)
Profit before taxation	8	**101**	3,056
Income tax credit/(expense)	7	**51**	(549)
Profit for the year		**152**	2,507
Other comprehensive income/(loss) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**20**	(9)
Other comprehensive income/(loss) for the year, net of income tax		**20**	(9)
Total comprehensive income for the year		**172**	2,498
Earnings per share			
— Basic and diluted (in Singapore cents)	9	**0.04**	0.63

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 S$'000	2018 S$'000
Non-current assets			
Investment property		**248**	253
Property, plant and equipment		**1,752**	2,061
Right-of-use assets		**173**	–
		2,173	2,314
Current assets			
Trade receivables	*10*	**4,134**	2,695
Contract assets		**9,763**	10,035
Prepayments, deposits and other receivables		**3,938**	1,019
Cash and cash equivalents		**6,167**	12,919
		24,002	26,668
Current liabilities			
Trade and retention sum payables	*11*	**986**	1,828
Contract liabilities		**1,066**	3,068
Other payables and accruals		**5,025**	4,510
Lease liabilities		**61**	–
Obligations under finance leases		**–**	43
Tax payable		**16**	748
		7,154	10,197
Net current assets		**16,848**	16,471
Total assets less current liabilities		**19,021**	18,785
Non-current liabilities			
Deferred tax liabilities		**30**	30
Lease liabilities		**126**	–
Obligations under finance leases		**–**	62
		156	92
Net assets		**18,865**	18,693
Capital and reserves attributable to owners of the Company			
Share capital		**695**	695
Reserves		**18,170**	17,998
Total equity		**18,865**	18,693

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

Indigo Star Holdings Limited (the "Company") is an investment holding company incorporated in the Cayman Islands with limited liabilities. Its parent is Amber Capital Holdings Limited ("Amber Capital"), a company incorporated in the British Virgin Islands ("BVI").

The Company's registered office address 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, Upper Aljunied Link, Singapore 367903. The principal place of business in Hong Kong was changed to Suite 4404-10, 44th Floor, One Island East 18 Westlands Road, Taikoo Place, Hong Kong with effect from 1 June 2019. The Company has been registered as a non-Hong Kong company under part 16 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) on 26 April 2017. Its shares were initially listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 November 2017.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of structural reinforced and concrete works in buildings and civil engineering works.

The consolidated financial statements are presented in Singapore dollar ("S$"), which is the functional currency of the Company. As the directors of the Company consider that S$ is the functional currency of the primary economic environment in which most of the Group's transactions are denominated and settled in and this presentation is more useful for its current and potential investors. The consolidated financial statements are presented in thousands of S$ ("S$'000"), unless otherwise stated.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value or revalued amounts at the end of each reporting period.

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. 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 of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 *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 measurement 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.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time in the current year:

IFRS 16	Leases
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation
IFRIC-Int 23	Uncertainty over Income Tax Treatment
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
IFRSs (Amendments)	Annual Improvements to IFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("**IAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessor

The adoption of IFRS 16 did not have any impact on the Group's assets held as lessor under operating leases.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ending within 12 months of the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of the initial application;

(iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of office premises was determined on a portfolio basis;

(iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options; and

(v) relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application.

	S$'000
Operating lease commitment at 31 December 2018 and present value of remaining lease payments, discounted using the incremental borrowing rate and lease liabilities recognised as at 1 January 2019	309
Less: Recognition exemption — short-term leases	(309)
Lease liabilities relating to operating leases recognised at 31 December 2018	–
Add: Obligations under finance lease recognised as at 31 December 2018	105
Lease liabilities as at 1 January 2019	105
Analysis as	
Non-current	62
Current	43
	105

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Right-of-use assets *S$'000*
Amounts included in property, plant and equipment under IAS 17	
— Assets previously under finance leases *(note)*	154
By class:	
Motor vehicles	154

Note: In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to S$154,000. In addition, the Group reclassified the obligations under finance leases of approximately S$43,000 and S$62,000 lease liabilities as current and non-current liabilities respectively at 1 January 2019.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 December 2018	**Reclassification**	**Carrying amount under IFRS 16 at 1 January 2019**
	S$'000	*S$'000*	*S$'000*
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment	2,061	(154)	1,907
Right-of-uses assets	–	154	154
Total non-current assets	2,314	–	2,314
Lease liabilities (current)	–	43	43
Obligations under finance leases (current)	43	(43)	–
Total current liabilities	10,197	–	10,197
Net current assets	16,471	–	16,471
Total assets less current liabilities	18,785	–	18,785
Lease liabilities (non-current)	–	62	62
Obligations under finance leases (non-current)	62	(62)	–
Total non-current liabilities	92	–	92
Net assets	18,693	–	18,693

New and amendments to IFRSs that have been issued but not yet effective

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

IAS 1 and IAS 8 (Amendments)	Definition of Material[1]
IFRS 9, IAS 39 and IFRS 7 (Amendments)	Interest Rate Benchmark Reform[1]
IFRS 3 (Amendments)	Definition of Business[2]
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
IFRS 17	Insurance Contracts[3]

[1] Effective for annual periods beginning on or after 1 January 2020

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

[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

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework in IFRS Standards" will be effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. 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 of the corresponding years which individually contributed over 10% of the Group's revenue for the years ended 31 December 2019 and 2018 is as follows:

	2019	2018
	S$'000	*S$'000*
Customer A	**4,072**	11,074
Customer B	**–***	6,513
Customer C	**2,542**	6,509
Customer D	**–***	15,403
Customer E	**6,948**	–*
Customer F	**2,222**	–*

* The corresponding revenue does not contribute over 10% of the Group's revenue for the respective 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.

5. REVENUE

	2019	2018
	S$'000	*S$'000*
(i) Over time of revenue recognition		
General building projects	**16,613**	27,126
Civil engineering projects	**2,542**	15,430
(ii) Point in time of revenue recognition		
Labour supply	**1,251**	–
	20,406	42,556
Outstanding contract amount	**17,655**	9,549

(iii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2019, the aggregated amount of the transaction price allocated to the remaining performance obligation under the Group's existing contracts is amounted to approximately S$17.7 million. This amount represents revenue expected to be recognised in the future from pre-completion construction contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed which is expected to occur within the next 12 months.

6. OTHER INCOME AND GAINS

	2019	2018
	S$'000	*S$'000*
Government grants *(note)*	**78**	75
Interest income	**100**	56
Sundry income	**149**	124
Gains on disposal of property, plant and equipment	**320**	–
	647	255

Note:

The government grants received mainly pertain to Special Employment Credit Scheme and Workforce Training and Upgrading Scheme, which are incentives received upon fulfilling the conditions for compensation of expenses already incurred or as immediate financial support. There were no unfulfilled conditions or contingencies relating to those government grants.

7. INCOME TAX CREDIT/(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 ("CIT") rate was 17% during the year ended 31 December 2019 (2018: 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:

	2019	2018
	S$'000	*S$'000*
Current tax		
— Singapore CIT	**7**	743
Over provision in respect of prior year	**(58)**	(194)
Income tax (credit)/expense	**(51)**	549

8. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2019	2018
	S$'000	*S$'000*
Auditors' remuneration		
— Audit service	**193**	210
Material used	**1,529**	5,984
Subcontracting charges	**2,231**	10,206
Depreciation on property, plant and equipment	**182**	255
Depreciation on investment property	**5**	5
Depreciation on right-of-use assets	**34**	–
Operating lease charges in respects of leased assets	**–**	122
Expenses relating to short-term lease	**812**	–
Employee benefit expenses (including directors' emoluments)		
Salaries and other employee benefits	**13,140**	16,139
Contributions to defined contribution retirement plan	**329**	295
Total employee benefit expenses (including directors' emoluments)	**13,469**	16,434

9. EARNINGS PER SHARE

	2019	2018
	S$'000	*S$'000*
Profit for the year attributable to owners of the Company	**152**	2,507
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**400,000**	400,000
Basic earnings per share (in Singapore cents)	**0.04**	0.63

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 there were no potential dilutive ordinary shares outstanding during each of the two years ended 31 December 2018 and 2019.

10. TRADE RECEIVABLES

	2019	2018
	S$'000	*S$'000*
Trade receivables	**4,186**	3,033
Less: Allowance for expected credit losses	**(52)**	(338)
	4,134	2,695

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.

Based on invoices date, ageing analysis of the Group's trade receivables, net of allowance for credit losses, are summarised as follows:

	2019	2018
	S$'000	*S$'000*
Within 30 days	**4,064**	2,695
31 to 90 days	**–**	–
91 to 180 days	**70**	–
	4,134	2,695

The Group's trade receivables as at the reporting dates that were neither past due nor impaired for whom there was no recent history of default. The Group's management considers that trade receivables that were past due but not impaired under review are of good credit quality. The Group does not hold any collateral in respect of trade receivables past due but not impaired.

Bad debt, in respect of trade receivables, is recognised by using a provision account unless the Group is satisfied that the recoverability of bad debt is remote; in such case, the bad debt is written off against trade receivables directly.

11. TRADE AND RETENTION SUM PAYABLES

	2019	2018
	S$'000	*S$'000*
Trade payables	**713**	1,497
Retention sum payables	**273**	331
	986	1,828

Trade and retention sum payables are non-interest bearing. Trade payables are generally settled on 30-days 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.

Trade and retention sum payables were denominated in Singapore dollars.

Ageing analysis of trade and retention sum payables as at the reporting dates is as follows:

	2019	2018
	S$'000	*S$'000*
0 to 30 days	**372**	1,211
31 to 90 days	**88**	151
91 to 180 days	**26**	149
Over 180 days	**500**	317
	986	1,828

12. DIVIDENDS

The Directors of the Company do not recommend the payment of any dividend of the years ended 31 December 2019 and 2018.

13. EVENTS AFTER THE REPORTING PERIOD

(a) On 11 March 2020, the Company announced the acquisition of the target property by Interno Engineering (1996) Pte Ltd, an indirect wholly-owned subsidiary of the Company, for the Vendor (Nk Ceramic Pte. Ltd.). All conditions precedent under the sales and purchase agreement have been satisfied and the completion took place on 25 February 2020. Upon Completion, the Purchaser becomes the registered lessee of the Land. Please refer to the announcements of the Company dated 17 May 2019 and 11 March 2020.

(b) Since January 2020, the outbreak on Novel Coronavirus ("COVID-19") has impacted the global business environment. Up to the date of these consolidated financial statements, COVID-19 has not resulted in material impact to the Group. Pending the development and spread of COVID-19 subsequent to the date of the consolidated financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these consolidated financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Group is an established subcontractor in Singapore specialising in providing reinforced concrete works, which mainly cover steel reinforcement works, formwork erection and concrete works. Provision of structural reinforced and concrete works in general building and civil engineering works is the only segment of the Group. The Group may provide such services either individually or as a total package comprising all three, depending on the requirements of customers. We have also venture into projects as the main Contractor.

BUSINESS REVIEW

For the year ended 31 December 2019, our Group has completed four projects, namely Project New State Courts, Project Outram Community Hospital, Project Micron FAB and Project 5 Marine Parade Central and has been awarded for three projects, namely Project Woodland Health Campus, Project 5 Marine Parade Central and Project Orchard Boulevard/Cuscaden Road. Public sector projects remained the major contributor to our revenue and had contributed approximately S$14.8 million (2018: S$33.0 million), representing by approximately 72.5% (2018: 77.6%) of our total revenue for the year ended 31 December 2019. Our outstanding contract value as at 31 December 2019 was approximately S$17.7 million.

Set out below are the details of the contracts contributing to the revenue for the year ended 31 December 2019:

Name of project	Nature of project	Customer	Type of services offered	Commencement date	Expected completion date	Contract sum *S$'000*
Project Orchard Station	Public — civil engineering	Penta Bachy Joint Venture	Reinforced concrete works	October 2015	October 2020	39,105
Project Woodland Health Campus	Public — general building	SDK Consortium	Steel reinforcement works and formwork erection	April 2019	August 2020	13,278
Project Orchard Boulevard/ Cuscaden Road	Private — general building	Kajima Overseas Asia (Singapore) Pte Ltd	Reinforced concrete structure installation works	January 2019	December 2020	9,554

FINANCIAL REVIEW

Revenue

Revenue decreased by approximately S$22.2 million, or approximately 52.1%, from approximately S$42.6 million for the year ended 31 December 2018 to approximately S$20.4 million for the year ended 31 December 2019. The decrease was mainly attributable to completion of contracts in hand brought forward from the prior year resulting in a decrease in outstanding contracts from the beginning of the Reporting Period. During the year ended 31 December 2019, the Group has been awarded three new contracts with a total estimated contract sum of approximately S$23.2 million. The outstanding contract sum of contracts in hand as at 31 December 2019 amounted to approximately S$17.7 million.

Cost of sales

Cost of sales decreased by approximately S$19.5 million, or approximately 55.6%, from approximately S$35.1 million for the year ended 31 December 2018 to approximately S$15.6 million for the year ended 31 December 2019.

Cost of sales mainly comprised of (i) material costs of approximately S$1.5 million (2018: S$6.0 million); and (ii) direct labour of approximately S$9.3 million (2018: S$14.2 million) for the year ended 31 December 2019. The decrease aligned with the decrease in the number of projects during the year.

Gross profit and gross profit margin

Gross profit recorded approximately S$4.8 million for the year ended 31 December 2019 (2018: S$7.5 million). The decrease was mainly due to decrease in revenue as a result of projects completed during the year ended 31 December 2019.

Gross profit margin increased from approximately 17.6% for the year ended 31 December 2018 to 23.5% for the year ended 31 December 2019. The higher gross profit margin in the prior year was mainly due to receipt of final account for Project New State Courts and Project Paya Lebar Central, which were completed during the year ended 31 December 2019.

Other income and gains

Other income and gains, for the year ended 31 December 2019 amounted to approximately S$0.6 million, (2018: S$0.3 million). The increase was mainly due to gains on disposal of certain machinery during the year ended 31 December 2019 of approximately S$0.3 million.

Administrative expenses

Administrative expenses for the year ended 31 December 2019 amounted to approximately S$5.3 million (2018: S$4.8 million). The increase was mainly due to (i) stamp duty incurred for acquisition of the property located at 8 Senoko Loop Singapore 758147 which was payable upon obtaining in-principle approval by Jurong Town Corporation amounted to approximately S$0.1 million; and (ii) additional expenses including payroll and rental expenses amounted to approximately S$0.3 million.

Finance costs

Finance costs amounted approximately S$4,000 for the year ended 31 December 2019 (2018: S$17,000). The decrease was mainly due to full repayment of bank borrowings in the prior year.

Income tax credit/(expense)

Income tax credit for the year ended 31 December 2019 amounted to approximately S$51,000 (2018: expense of S$549,000), as a result of over-provision of Singapore Corporate Income Tax in respect of prior year.

Profit for the year

As a result of the foregoing, profit for the year ended 31 December 2019 amounted to approximately S$0.2 million (2018: S$2.5 million), mainly attributable to the decrease in revenue aforementioned.

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 2019, was 3.4 times (2018: 2.6 times). The increase was mainly due to decrease in current liabilities during the Reporting Year.

As at 31 December 2019, the Group had net current assets of approximately S$16.8 million (2018: S$16.5 million), including cash and cash equivalents of approximately S$6.2 million (2018: S$12.9 million).

The gearing ratio, calculated based on the total debt (including borrowings and finance lease payables) divided by total equity, was approximately 1.0% as at 31 December 2019 (2018: 0.6%).

CAPITAL STRUCTURE

Since the shares of the Company listed on the GEM on 16 November 2017, there has been no change in the capital structure of the Company. The share capital of the Company only comprises of ordinary shares.

As at 31 December 2019, the Company's issued share capital was HK$4.0 million (2018: HK$4.0 million) and the number of ordinary shares issued was 400,000,000 of HK$0.01 each (2018: 400,000,000 of HK$0.01 each).

CAPITAL COMMITMENTS

Referring to the announcement of the Company dated 17 May 2019, Interno Engineering (1996) Pte. Ltd (the "Purchaser"), an indirect wholly owned subsidiary of the Company, and NK Ceramic Pte. Ltd. (the "Vendor") entered into a sale and purchase agreement, pursuant to which the Vendor agreed to sell to the Purchaser, and the Purchaser agreed to purchase from the Vendor a target property located at 8 Senoko Loop Singapore 758147, at a total consideration of S$5.0 million, which will be satisfied in cash (the "Acquisition"). The Purchaser has paid to the Vendor a refundable deposit of S$2.5 million in cash during the year ended 31 December 2019. The completion of the Acquisition shall be conditional upon satisfaction or waiver (if applicable) of some conditions precedent, which have been satisfied on 25 February 2020. Save for the aforesaid, the Group did not have any significant capital commitments as at 31 December 2019. As at 31 December 2018, the Group did not have any significant capital commitments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2019, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies (2018: Nil).

SIGNIFICANT INVESTMENTS

As at 31 December 2019, the Group did not hold any significant investments (2018: Nil).

CONTINGENT LIABILITIES AND LITIGATIONS

As at 31 December 2019, the Group was involved in certain immaterial litigation cases. Save for the disclosed, the Group did not have any material contingent liabilities.

As at 31 December 2019, the Group had three (2018: three) common law claims, which had been brought before the relevant courts in Singapore, in relation to work-related injuries. The claim amount of these work-related common law claims has not been finalised. It is expected that the claim amount will be fully covered by insurance.

As at 31 December 2019, the Group did not pledge any asset (2018: Nil).

FOREIGN EXCHANGE EXPOSURE

The Group's principal place of business is in Singapore, hence transactions arising from its operations were generally settled in Singapore Dollars, which is the functional currency of the Group. Apart from a portion of the cash and cash equivalents of the Group arising from the global offering is denominated in Hong Kong Dollars ("HK$"), the Group was not exposed to any significant foreign currency risk nor had employed any financial instrument for hedging.

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 receivables, and other receivables.

For trade 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 receivables on an ongoing basis. As at 31 December 2019, approximately 83.1% (2018: 99.4%) of the Group's trade receivables were due from the top three 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 2019, the Group did not have any charge (2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed a total of 438 (2018: 523) full-time staff, of which (i) 431 were in Singapore, including approximately 8% Singapore citizens and residents and approximately 92% foreigners; and (ii) 7 were in China. Total employee benefit expenses, including directors' emoluments, of the Group amounted to approximately S$13.4 million for the year ended 31 December 2019 (2018: approximately S$16.4 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 (the "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 Scheme assists in recruiting and retaining high calibre employees.

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 December 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS AND USE OF PROCEEDS

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.

The net proceeds from the Listing have been applied as follows:

	Planned use of proceeds up to 31 December 2019 *HK$'000*	**Actual use of proceeds up to 31 December 2019** *HK$'000*
Acquiring property for the dormitory and cut and bend factory	**35,500**	**14,250**
Renovating the new dormitory and cut and bend factory	**3,300**	**–**
Purchasing one single production line of cut and bend system	**4,000**	**–**
Working Capital	**500**	**500**
	43,300	**14,750**

Pursuant to the Prospectus dated 31 October 2017, the Company intended to apply for approximately HK$35.5 million to acquire a property for our dormitory and cut and bend factory. Referring to an announcement of the Company dated 17 May 2019, Interno Engineering (1996) Pte. Ltd ("IEPL"), an indirect wholly owned subsidiary of the Company, as the purchaser and NK Ceramic Ptd. Ltd. (the "Vendor") entered into a sale and purchase agreement, pursuant to which the Vendor agreed to sell to IEPL, and IEPL agreed to purchase from the Vendor a target property located at 8 Senoko Loop Singapore 758147, at a total consideration of S$5 million (equivalent to approximately HK$28.5 million), which will be satisfied in cash (the "Acquisition"). IEPL has paid to the Vendor a refundable deposit of S$2.5 million (equivalent to approximately HK$14.3 million) in cash during the year ended 31 December 2019. The completion of the Acquisition has been taken place on 25 February 2020 upon satisfaction of all conditions precedent. After acquiring the target property, the Group plans to renovate the new dormitory and cut and bend factory, and purchase the production line of cut and bend system after acquiring a property for the dormitory and cut and bend factory in 2020.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives as stated in the Prospectus	Actual business progress up to 31 December 2019
Upgrade our licences so as to expand our business through bidding for larger public sector projects	The Group has continued to make great efforts to upgrade of licence from C1 Grade to B2 Grade.
Set up our dormitory and cut and bend factory	The Group has identified a suitable property and entered into a sale and purchase agreement with the Vendor, please refer to the above section of Future Plans for Material Investments and Capital Assets and Use of Proceeds for details.
Strengthen our manpower in managerial and technical expertise	The Group has recruited one quantity surveyor and is in progress of recruiting high caliber staff to strengthen our team.

PROSPECT

Though the Ministry of Trade and Industry has downgraded 2020 GDP growth forecast of Singapore to -0.5% to 1.5%, with growth expected to come in at around 0.5%, the midpoint of the forecast range, the Directors considered that the outlook for construction industry is positive. The investment by the government of Singapore in construction projects remains strong. While the main challenge in 2020 is still labour shortage and supply chain disruptions caused by the outbreak of COVID-19. Going forward, the Group will continue to identify main contractor works and subcontracting works to capture more potential business opportunities in Singapore. Moreover, the Group is also making great efforts to upgrade of licence from C1 Grade to B2 Grade to enable the Group to tender larger public sector projects.

Meanwhile, to make robust development, the Group deals with risks such as credit risk and liquidity risk arising from its operations through internal risks reports which analyse exposure by degree and magnitude of risk . For credit risk management, the Group has adopted the policy to deal only with high credit quality and good history counterparties to minimise credit risk. For the liquidity risk management, the Group carefully monitors and maintains sufficient reserves of cash for expected liquidity requirements.

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.

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

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 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 no less than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiries of all Directors and all of them confirmed their compliance with the Code of Conduct for the year ended 31 December 2019. The Company was not aware of any non-compliances during the year ended 31 December 2019.

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 during the year ended 31 December 2019.

COMPETING INTEREST

The Directors are not aware that any 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 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.

MAJOR CUSTOMERS

The revenue of the Group's top five customers accounted for approximately S$17.5 million for the Reporting Year, representing approximately 85.6% of the Group's total revenue. The Group's largest customer accounted for approximately S$6.9 million or 33.8% of total revenue for the Reporting Year.

As at the date of this announcement, as far as the Company is aware, none of the Directors, their close associates or any shareholder owning more than 5% of the Company's share capital had any interest in the Group's customers and suppliers as mentioned above.

PRE-EMPTIVE RIGHTS

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

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 YEAR

Save for the disclosed in Note 13 in this announcement, there are no significant events after the Reporting Year.

AUDIT COMMITTEE

The 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 2019. The Audit Committee is of the opinion that the financial statements complied with the applicable accounting standards and requirements, and that adequate disclosures have been made. For the Reporting Year, the Audit Committee considered the Group's risk management and internal control system as adequate and effective.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 5 May 2020 to Friday, 8 May 2020 (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 Monday, 4 May 2020.

PUBLICATION OF 2019 ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2019 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.

APPRECIATION

The Board would like to extend its sincere thanks to the Group's shareholders, business partners and customers for their utmost support to the Group. The Group would also like to take this opportunity to thank all management members and staff for their hard work and dedication throughout the Report Year.

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

Hong Kong, 23 March 2020

As at the date of this announcement, the Chairman and the executive director of the Company is Mr. Goh Cheng Seng, the executive directors of the Company are Ms. Tan Soh Kuan, Mr. Ng Sai Cheong and Mr. Wang Jianye; and the independent non-executive directors of the Company are Mr. Ma Yiu Ho Peter, Mr. Yip Ki Chi Luke and Mr. Zhou Guangguo.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information which 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 GEM website at www.hkgem.com 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.