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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 2020

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 2020 (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 2020

	<i>Notes</i>	2020 <i>S\$’000</i>	2019 <i>S\$’000</i>
Revenue	5	9,433	20,406
Cost of sales		<u>(7,954)</u>	<u>(15,617)</u>
Gross profit		1,479	4,789
Other income and gains	6	589	647
Administrative expenses		(3,857)	(5,301)
Allowance for expected credit losses, net		–	(30)
Finance costs		<u>(91)</u>	<u>(4)</u>
(Loss)/profit before taxation	8	(1,880)	101
Income tax (expense)/credit	7	<u>(184)</u>	<u>51</u>
(Loss)/profit for the year		(2,064)	152
Other comprehensive(loss)/income for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		<u>(11)</u>	<u>20</u>
Other comprehensive (loss)/income for the year, net of income tax		<u>(11)</u>	<u>20</u>
Total comprehensive (loss)/income for the year		<u>(2,075)</u>	<u>172</u>
(Loss)/profit for the year attributable to owners of the Company		<u>(2,064)</u>	<u>152</u>
Total comprehensive (loss)/income attributable to owners of the Company		<u>(2,075)</u>	<u>172</u>
(Loss)/earnings per share			
– Basic and diluted (in Singapore cents)	9	<u>(0.52)</u>	<u>0.04</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 <i>S\$'000</i>	2019 <i>S\$'000</i>
Non-current assets			
Investment property		242	248
Property, plant and equipment	<i>10</i>	6,761	1,752
Right-of-use assets		1,223	173
		<u>8,226</u>	<u>2,173</u>
Current assets			
Trade receivables	<i>11</i>	3,319	4,134
Contract assets		6,881	9,763
Financial assets at fair value through profit or loss		1,745	–
Prepayments, deposits and other receivables		1,627	3,938
Pledged bank deposits		334	–
Cash and cash equivalents		5,172	6,167
		<u>19,078</u>	<u>24,002</u>
Current liabilities			
Trade and retention sum payables	<i>12</i>	947	986
Contract liabilities		955	1,066
Other payables and accruals		5,066	5,025
Bank borrowings	<i>13</i>	2,089	–
Lease liabilities		151	61
Tax payable		192	16
		<u>9,400</u>	<u>7,154</u>
Net current assets		<u>9,678</u>	<u>16,848</u>
Total assets less current liabilities		<u>17,904</u>	<u>19,021</u>
Non-current liability			
Lease liabilities		1,089	126
Deferred tax liabilities		25	30
		<u>1,114</u>	<u>156</u>
Net assets		<u>16,790</u>	<u>18,865</u>
Capital and reserves attributable to owners of the Company			
Share capital		695	695
Reserves		16,095	18,170
Total equity		<u>16,790</u>	<u>18,865</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statement.

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

For financial instrument and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to IFRS 3	Reference to the Conceptual Framework ²
Amendment to IFRS 16	Covid-19-Related Rent Concessions ⁴
Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020 ²

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

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all other 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 2020 and 2019 is as follows:

	2020 <i>S\$'000</i>	2019 <i>S\$'000</i>
Customer A	–*	4,072
Customer B	1,430	2,542
Customer C	3,890	6,948
Customer D	<u>3,689</u>	<u>2,222</u>

* 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

An analysis of revenue are as follows:

	2020 <i>S\$'000</i>	2019 <i>S\$'000</i>
Revenue from contract with customers		
General building projects	7,579	16,613
Civil engineering projects	1,430	2,542
Other services (<i>note</i>)	424	–
Labour supply	<u>–</u>	<u>1,251</u>
	<u>9,433</u>	<u>20,406</u>
Outstanding contract amount	<u>10,436</u>	<u>17,655</u>

Note: Other services included provision of services for cut and bend the steel reinforcing bar owned by the customer.

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

As at 31 December 2020, the aggregated amount of the transaction price allocated to the remaining performance obligation under the Group's existing contracts is amounted to approximately S\$10.4 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

	2020	2019
	<i>S\$'000</i>	<i>S\$'000</i>
Government grants (<i>note</i>)	220	78
Interest income	33	100
Sundry income	91	149
Dividend income	5	–
Rental income	160	–
Change in fair value of financial assets at fair value through profit or loss	80	–
Gains on disposal of property, plant and equipment	–	320
	<u>589</u>	<u>647</u>

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 (EXPENSE)/CREDIT

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 2020 (2019: 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:

	2020	2019
	<i>S\$'000</i>	<i>S\$'000</i>
Current tax		
– Singapore CIT	–	7
Under/(over) provision in respect of prior year	189	(58)
Deferred tax	(5)	–
	<u>184</u>	<u>(51)</u>

8. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation has been arrived at after charging:

	2020 <i>S\$'000</i>	2019 <i>S\$'000</i>
Auditors' remuneration		
– Audit service	107	193
Material used	733	1,529
Subcontracting charges	1,028	2,231
Depreciation on property, plant and equipment	430	182
Depreciation on investment property	6	5
Depreciation on right-of-use assets	121	34
Expenses relating to short-term lease	201	812
Employee benefit expenses (including directors' emoluments)		
Salaries and other employee benefits	9,582	13,140
Contributions to defined contribution retirement plan	230	329
	<u>9,812</u>	<u>13,469</u>
Less; government grants (<i>Note</i>)	<u>(1,846)</u>	<u>–</u>
Total employee benefit expenses (including directors' emoluments)	<u><u>7,966</u></u>	<u><u>13,469</u></u>

Note: Government grants comprises of COVID-19 related subsidies under the Jobs Support Scheme (“JSS”) and foreign worker rebate provided by the Singapore Government. Government grants of approximately S\$1,490,000 are recognised against the cost of services while the remaining are presented under administrative expense.

9. (LOSS)/EARNINGS PER SHARE

	2020 <i>S\$'000</i>	2019 <i>S\$'000</i>
(Loss)/profit for the year attributable to owners of the Company	<u><u>(2,064)</u></u>	<u><u>152</u></u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<u><u>400,000</u></u>	<u><u>400,000</u></u>

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

Diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share because there were no potential dilutive ordinary shares outstanding during both years.

10. PROPERTY, PLANT AND EQUIPMENTS

	Property S\$'000	Leasehold improvement S\$'000	Furniture and fixture S\$'000	Machinery and equipment S\$'000	Motor vehicles S\$'000	Total S\$'000
Cost						
As 1 January 2019	1,560	196	148	1,123	692	3,719
Additions	–	–	1	54	117	172
Disposals	–	–	(2)	(711)	(89)	(802)
Transfer from right-of-use assets	–	–	–	–	127	127
As at 31 December 2019 and						
1 January 2020	1,560	196	147	466	847	3,216
Additions	5,000	411	8	20	–	5,439
Disposals	–	–	(3)	–	–	(3)
As at 31 December 2020	6,560	607	152	486	847	8,652
Accumulated depreciation						
As at 1 January 2019	136	196	72	747	660	1,811
Charge for the year	27	–	20	89	46	182
Disposals	–	–	(2)	(493)	(89)	(584)
Transfer from right-of-use assets	–	–	–	–	55	55
As at 31 December 2019 and						
1 January 2020	163	196	90	343	672	1,464
Charge for the year	305	–	19	50	56	430
Disposals	–	–	(3)	–	–	(3)
As at 31 December 2020	468	196	106	393	728	1,891
Net carrying values						
As at 31 December 2020	6,092	411	46	93	119	6,761
As at 31 December 2019	1,397	–	57	123	175	1,752

Assets pledged as securities

As at 31 December 2020, the Group's property with carrying amount of approximately S\$6,092,000 (2019: Nil) were pledged as securities for the Group's bank borrowings.

Additions to property, plant and equipment are analysed as follows:

	2020 <i>S\$'000</i>	2019 <i>S\$'000</i>
Additions of property, plant and equipment	5,439	172
Decrease in deposit paid	(2,500)	–
Acquired under bank borrowings	(2,500)	–
	<u>439</u>	<u>172</u>
Cash payments to acquire property, plant and equipment	<u>439</u>	<u>172</u>

11. TRADE RECEIVABLES

	2020 <i>S\$'000</i>	2019 <i>S\$'000</i>
Trade receivables	3,418	4,186
Less: Allowance for expected credit losses	(99)	(52)
	<u>3,319</u>	<u>4,134</u>

Credit period granted to the Group's customers generally within 35 days from invoice date of the relevant contract revenue.

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

	2020 <i>S\$'000</i>	2019 <i>S\$'000</i>
Within 30 days	2,469	4,064
31 to 90 days	551	–
91 to 180 days	141	70
Over 180 days	158	–
	<u>3,319</u>	<u>4,134</u>

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 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.

12. TRADE AND RETENTION SUM PAYABLES

	2020	2019
	<i>S\$'000</i>	<i>S\$'000</i>
Trade payables	784	713
Retention sum payables	163	273
	<u>947</u>	<u>986</u>

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:

	2020	2019
	<i>S\$'000</i>	<i>S\$'000</i>
0 to 30 days	523	372
31 to 90 days	179	88
91 to 180 days	8	26
Over 180 days	237	500
	<u>947</u>	<u>986</u>

13. BANK BORROWINGS

2020
S\$'000

Secured bank borrowings	<u>2,089</u>
The carrying amounts of bank borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable*:	
Within one year	504
Within a period of more than one year but not exceeding two years	516
Within a period of more than two year but not exceeding five years	<u>1,069</u>
	2,089
Less: Amount contain a repayment on demand clause shown under current liabilities	<u>(2,089)</u>
Amount shown under non-current liabilities	<u><u>—</u></u>
The exposure of the Group's bank borrowings are as follows:	
Fixed-rate borrowings	<u><u>2,089</u></u>

* The amounts due are based on scheduled repayment date set out in loan agreement.

The Group's fixed-rate borrowings carrying interest rate at 2.0% per annum.

As at 31 December 2020, bank borrowings are secured by the property, plant and equipment, investment properties and pledged bank deposit and corporate guarantee by the Company.

14. DIVIDENDS

The Directors of the Company do not recommend the payment of any dividend of the years ended 31 December 2020 and 2019.

15. EVENTS AFTER THE REPORTING PERIOD

With refer to the announcement dated 11 August 2020, 16 October 2020, 11 December 2020 and 26 February 2021, the Group had delay in despatch of circular major transaction in relation to acquisition of 20% issued share capital of target Company.

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

We are an established subcontractor in Singapore specialising in providing reinforced concrete work, comprising steel reinforcement works, formwork erection and concrete works. We may provide such services either individually or as a total package comprising all three, depending on the requirements of our customers. We have also ventured into projects as a main contractor. Our projects can be categorised into general building projects and civil engineering projects.

General building works refer to general construction and major repair works, piling works, finishing works, installation of doors, windows, sanitary products, curtain walling/cladding works, structural works, other special trade construction such as scaffolding and sandblasting, and production of pre-cast components. Our general building works relate primarily to the construction of hotels, hospitals, mixed development and court buildings. During the year ended 31 December 2020, we recorded revenue from general building projects of approximately S\$7.6 million (2019: S\$16.6 million), which accounted for approximately 80.3% of our total revenue (2019: 81.4%).

Civil engineering works refer to non-building construction such as the construction of roads, bridges, tunnels, railways, viaducts, water and gas pipelines, sewers, communications and power lines, marine construction as well as site-preparation and construction-related landscaping works. Our civil engineering works relate primarily to the construction of MRT stations. During the year ended 31 December 2020, we recorded revenue from civil engineering projects of approximately S\$1.4 million (2019: S\$2.5 million), which accounted for approximately 15.2% of our total revenue (2019: 12.5%).

As at 31 December 2020, we had three ongoing contracts with an aggregate outstanding contract value of approximately S\$9.4 million (2019: 17.7 million).

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020 (the “Reporting Year”), our Group recorded revenue of approximately S\$9.4 million (2019: S\$20.4 million), representing a decrease of approximately 53.8% compared with prior year. 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 and progress delay due to lockdown of Singapore due to COVID-19 pandemic.

Direct costs

Our Group recorded direct costs of approximately S\$8.0 million for the Reporting Year (2019: S\$15.6 million), representing a decrease of approximately 49.1% compared with the prior year. Such decrease was in line with the decrease in revenue for the prior year and recognition of government grant received of approximately S\$1.5 million.

Gross profit and gross profit margins

For each of the year ended 31 December 2019 and 2020, our Group recorded gross profits of approximately S\$4.8 million and S\$1.5 million, respectively, while our gross profit margin decreased from approximately 23.5% for the year ended 31 December 2019 to approximately 15.7% for the year ended 31 December 2020. The decrease in gross profit was mainly due to decrease in revenue for the Reporting Year. The decrease in gross profit margin was primarily attributable to lower gross profits margin of Project Woodland Health Campus and Project Orchard Boulevard..

Other income

Other income was approximately S\$0.6 million for the Reporting Year (2019: S\$0.6 million), with a drop of approximately 9.0%.

Administrative expenses

Administrative expenses were approximately S\$3.9 million for the year ended 31 December 2020 (2019: S\$5.3 million). The decrease was mainly attributable to the decrease in salaries and other employee benefits paid during the year ended 31 December 2020 and recognition of government grants received during the Reporting Year.

(Loss)/profit for the period

As a result of the foregoing, our loss for the year amounted to approximately S\$2.1 million (2019: S\$0.2 million profit).

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 2020, was 2.0 times (2019: 3.4 times). The decrease was mainly due to increase in bank borrowings during the Reporting Year.

As at 31 December 2020, the Group had net current assets of approximately S\$9.7 million (2019: S\$16.8 million), including cash and cash equivalents of approximately S\$5.2 million (2019: S\$6.2 million).

The gearing ratio, calculated based on the total debt (including borrowings and lease liabilities) divided by total equity, was approximately 19.8% as at 31 December 2020 (2019: 1.0%) increased as a result of bank borrowings drawn down of approximately S\$2.1 million.

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 2020, the Company's issued share capital was HK\$4.0 million (2019: HK\$4.0 million) and the number of ordinary shares issued was 400,000,000 of HK\$0.01 each (2019: 400,000,000 of HK\$0.01 each).

CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2020 (2019: S\$2.5 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2020, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies (2019: Nil).

SIGNIFICANT INVESTMENTS

As at 31 December 2020, the Group did not hold any significant investments (2019: Nil).

CONTINGENT LIABILITIES AND LITIGATIONS

As at 31 December 2020, 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 2020, the Group had three (2019: 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.

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 2020, approximately 77.9% (2019: 83.1%) 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 counterparties. 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 2020, the Group did not have any charge (2019: Nil), save for the Group's leasehold property, investment property and pledged bank deposits of approximately S\$6.1 million, S\$0.2 million and S\$0.3 million respectively which have been pledged to secure bank borrowings granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed a total of 366 (2019: 438) full-time staff, of which (i) 59 were in Singapore, including approximately 16% Singapore citizens and residents and approximately 84% foreigners; and (ii) 7 were in China. Total employee benefit expenses, including directors' emoluments, of the Group amounted to approximately S\$8.0 million for the year ended 31 December 2020 (2019: approximately S\$13.4 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 2020.

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”) and the announcement dated 30 July 2020, 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 2020 <i>HK\$’000</i>	Actual use of proceeds up to 31 December 2020 <i>HK\$’000</i>
Acquiring property for the dormitory and cut and bend factory	28,500	28,500
Renovating the new dormitory and cut and bend factory	1,100	1,100
Purchasing one single production line of cut and bend system	4,000	–
Staff costs in respect of construction projects	9,200	9,200
Working Capital	500	500
	<u>43,300</u>	<u>39,300</u>

Intended use of Net Proceeds

Approximately HK\$28.5 million (equivalent to approximately S\$5.0 million) was planned as per the prospectus of the Company dated 31 October 2017 and the subsequent change as per the Company's announcement dated 30 July 2020, to use for the acquisition of a property ("New Property") for our cut and bend factory and our dormitory to accommodate our foreign workers.

Approximately HK\$1.1 million (equivalent to approximately S\$0.2 million) was planned as per the prospectus of the Company dated 31 October 2017 and the subsequent change as per the Company's announcement dated 30 July 2020, to be used for the renovation of the New Property.

Approximately HK\$4.0 million (equivalent to approximately S\$0.7 million) was planned to be used for purchase of one single production line of cut and bend system.

Approximately HK\$9.2 million (equivalent to approximately S\$1.6 million) was planned as per the Company's announcement dated 30 July 2020, for payments to staff costs in respect of construction projects.

Approximately HK\$0.5 million (equivalent to approximately S\$0.1 million) was planned to be used for working capital and other general corporate purposes.

Actual use of Net Proceeds and Intended use of Unutilised IPO Proceeds

As at 31 December 2020, approximately HK\$28.5 million (equivalent to approximately S\$5.0 million) was utilised for the payment of the refundable deposit for the acquisition of the New Property located at 8 Senoko Loop Singapore 758147. The acquisition of the New Property was completed on 25 February 2020 upon satisfaction of all conditions precedent.

The Group completed the renovation of the New Property as at 31 December 2020 and fully utilised the amount of approximately HK\$1.1 million.

As of 31 December 2020, the Group has not purchased the production line of cut and bend system as the spending has been deferred because of the impact from COVID-19.

As of 31 December 2020, the Group has paid and utilised approximately HK\$9.2 million (equivalent to approximately S\$1.6 million) for staff costs in respect of construction projects.

Approximately HK\$0.5 million (equivalent to approximately S\$0.1 million) was utilised for working capital and other general corporate purposes of our Group.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives as stated in the Prospectus

Upgrade our licences so as to expand our business through bidding for larger public sector projects

Set up our dormitory and cut and bend factory

Strengthen our manpower in managerial and technical expertise

Actual business progress up to 31 December 2020

The Group has continued to make great efforts to upgrade of licence from C1 Grade to B2 Grade.

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.

The Group has recruited one quantity surveyor and is in progress of recruiting high caliber staff to strengthen our team.

PROSPECT

The Ministry of Trade and Industry announced a 2020 GDP forecast of Singapore with expected midpoint growth at around 0.5% before the outbreak of COVID-19. Further the Government of Singapore announced on 3 April 2020 that all workplaces except for those providing essential services and those able to operate remotely will be suspended from 7 April 2020 to 4 May 2020 (both dates inclusive) as a circuit breaker to curb further spread of COVID-19. All the construction projects of the Group were then suspended temporarily and the office in Singapore was closed. The Directors considered that the outlook for the construction industry is challenging.

The COVID-19 pandemic has caused significant pressure to the economy in Singapore. The Singapore government has taken various economic relief measures, in particular, a S\$1.36 billion worth Package in June 2020 with the aim of helping construction firms to defray costs incurred from prolongation of projects and to comply with the stringent virus safety measures. Though, the management of the Group expects the recovery in the construction industry will be gradual.

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.

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 continuing its efforts to upgrade its licence from C1 Grade to B2 Grade to enable the Group to tender for a wider scope of 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 2020. The Company was not aware of any non-compliances during the year ended 31 December 2020.

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 2020.

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 AND SUPPLIERS

The revenue of the Group's top five customers accounted for approximately S\$9.4 million for the Reporting Year, representing approximately 100.0% of the Group's total revenue. The Group's largest customer accounted for approximately S\$3.9 million or 41.2% of total revenue for the Reporting Year.

The total purchase from the Group's top five suppliers amounted to approximately S\$1.1 million for the Reporting Year, representing approximately 41.3% of the Group's total purchase. The Group's largest supplier accounted for approximately S\$0.3 million or 10.5% of total purchase for the Reporting Year.

As at the date of this report, 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.

EVENTS AFTER THE REPORTING YEAR

Save for the disclosed in Note 15 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 2020. 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.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming AGM will be held on Wednesday, 30 June 2021. The register of members of the Company will be closed from Friday, 25 June 2021 to Wednesday, 30 June 2021 (the “Closure Period”), both days inclusive, for the purposes of determining the entitlements of the Shareholders to attend and vote at the forthcoming AGM. During this closure period, no transfer of the shares will be registered. In order to qualify for attending and voting at the AGM, all transfers, accompanied by the relevant shares certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, for registration no later than 4.30 p.m. on Thursday, 24 June 2021. However, due to the exigencies of the COVID-19 pandemic, and consequent restrictions in international travel, the Board will be monitoring the situation closely. If the situation develops, the Board may announce postponement of the AGM.

PUBLICATION OF 2020 ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2020 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, 25 March 2021

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, Mr. Zhou Guangguo and Mr. Clay Huen.

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.