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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)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

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.

Due to the outbreak of Covid-19 Omicron variant in Hong Kong, the auditing process for the annual results of Indigo Star Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) has not been completed. The unaudited consolidated results of the Company have not yet been agreed with the auditors of the Company.

In the meantime, the board (the “Board”) of directors (the “Directors”) of the Company announces its unaudited annual consolidated results for the year ended 31 December 2021, together with the corresponding comparative audited figures for the year ended 31 December 2020, which was reviewed by the audit committee of the Company, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 S\$'000 (Unaudited)	2020 S\$'000 (Audited)
Revenue	5	16,018	9,433
Cost of sales		<u>(13,567)</u>	<u>(7,954)</u>
Gross profit		2,451	1,479
Other income and gains	6	599	589
Administrative expenses		(4,722)	(3,997)
(Allowance)/reversal of allowance for expected credit losses, net		(1,915)	140
Finance costs		<u>(128)</u>	<u>(91)</u>
Loss before taxation		(3,715)	(1,880)
Income tax expense	7	<u>–</u>	<u>(184)</u>
Loss for the year	8	(3,715)	(2,064)
Other comprehensive income/(loss) for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		<u>22</u>	<u>(11)</u>
Other comprehensive income/(loss) for the year, net of income tax		<u>22</u>	<u>(11)</u>
Total comprehensive loss for the year		<u>(3,693)</u>	<u>(2,075)</u>
Loss for the year attributable to owners of the Company		<u>(3,715)</u>	<u>(2,064)</u>
Total comprehensive loss attributable to owners of the Company		<u>(3,693)</u>	<u>(2,075)</u>
Loss per share			
– Basic and diluted (in Singapore cents)	9	<u>(0.93)</u>	<u>(0.52)</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 <i>S\$'000</i> (Unaudited)	2020 <i>S\$'000</i> (Audited)
Non-current assets			
Investment property		237	242
Property, plant and equipment		6,606	6,761
Right-of-use assets		1,091	1,223
Contract assets		4,599	–
		<u>12,533</u>	<u>8,226</u>
Current assets			
Trade receivables	10	1,537	3,319
Contract assets		72	6,881
Financial assets at fair value through profit or loss ("FVTPL")		1,480	1,745
Prepayments, deposits and other receivables		6,348	1,627
Pledged bank deposits		344	334
Cash and cash equivalents		4,895	5,172
		<u>14,676</u>	<u>19,078</u>
Current liabilities			
Trade and retention sum payables	11	792	947
Contract liabilities		2,973	955
Other payables and accruals		5,047	5,066
Bank borrowings		4,152	2,089
Lease liabilities		52	151
Income tax payable		–	192
		<u>13,016</u>	<u>9,400</u>
Net current assets		<u>1,660</u>	<u>9,678</u>
Total assets less current liabilities		<u>14,193</u>	<u>17,904</u>
Non-current liabilities			
Lease liabilities		1,071	1,089
Deferred tax liabilities		25	25
		<u>1,096</u>	<u>1,114</u>
Net assets		<u>13,097</u>	<u>16,790</u>
Capital and reserves attributable to owners of the Company			
Share capital		695	695
Reserves		12,402	16,095
Total equity		<u>13,097</u>	<u>16,790</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 5 Upper Aljunied Link, #03-08 Quartz Industrial Building, Singapore 367903. The principal place of business in Hong Kong is at Suite 4404-10, 44th Floor, One Island East, 18 Westlands Road, Taikoo Place, Hong Kong. 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 financial assets at FVTPL that are measured at fair values 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 statements.

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

3. APPLICATION OF NEW AND 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 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 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendment to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of 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 issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments ³
Amendment to IFRS 3	Reference to the Conceptual Framework ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to IAS 8	Definition of Accounting Estimates ³
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
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 16	COVID-19 Related Rent Concession beyond 30 June 2021 ¹
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021.

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

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of the new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

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 loss for the year as a whole. Accordingly, the Group does not present separate 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 2021 and 2020 is as follows:

	2021 <i>S\$'000</i> (Unaudited)	2020 <i>S\$'000</i> (Audited)
Customer A	—*	1,430
Customer B	4,442	3,890
Customer C	5,137	3,689
Customer D	3,486	—*
	_____	_____

* 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 non-current assets are all located in Singapore.

5. REVENUE

An analysis of revenue are as follows:

	2021 <i>S\$'000</i> (Unaudited)	2020 <i>S\$'000</i> (Audited)
Revenue from contract with customers		
General building projects	14,457	7,579
Civil engineering projects	717	1,430
Other services (<i>note</i>)	844	424
	_____	_____
	16,018	9,433
	_____	_____
Outstanding contract amount	19,756	10,436
	_____	_____

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 2021, the aggregated amount of the transaction price allocated to the remaining performance obligation under the Group's existing contracts is amounted to approximately S\$19,756,000 (2020: S\$10,436,000). 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

	2021 <i>S\$'000</i> (Unaudited)	2020 <i>S\$'000</i> (Audited)
Government grants (<i>note</i>)	112	220
Interest income	41	33
Sundry income	120	91
Dividend income	20	5
Rental income	136	160
Change in fair value of financial assets at FVTPL	–	80
Gains on disposal of property, plant and equipment	16	–
Gain on disposal of quoted investments	154	–
	<u>599</u>	<u>589</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

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 2021 (2020: 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:

	2021 <i>S\$'000</i> (Unaudited)	2020 <i>S\$'000</i> (Audited)
Current tax		
– Singapore CIT	–	–
Under provision in respect of prior year	–	189
Deferred tax	–	(5)
	<u>–</u>	<u>184</u>
Income tax expense	<u>–</u>	<u>184</u>

8. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2021 <i>S\$'000</i> (Unaudited)	2020 <i>S\$'000</i> (Audited)
Auditors' remuneration		
– Audit service	100	107
Material used	1,034	733
Subcontracting charges	2,851	1,028
Depreciation on property, plant and equipment	523	430
Depreciation on investment property	5	6
Depreciation on right-of-use assets	70	121
Expenses relating to short-term lease	–	201
Employee benefit expenses (including directors' emoluments)		
Salaries and other employee benefits	11,381	9,582
Contributions to defined contribution retirement plan	254	230
	<u>11,635</u>	<u>9,812</u>
Less: government grants (<i>Note</i>)	<u>(1,053)</u>	<u>(1,846)</u>
Total employee benefit expenses (including directors' emoluments)	<u><u>10,582</u></u>	<u><u>7,966</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\$1,053,000 (2020: S\$1,490,000) are recognised against the cost of services while the remaining are presented under administrative expenses.

9. LOSS PER SHARE

	2021 <i>S\$'000</i> (Unaudited)	2020 <i>S\$'000</i> (Audited)
Loss for the year attributable to owners of the Company	<u><u>(3,715)</u></u>	<u><u>(2,064)</u></u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u><u>400,000</u></u>	<u><u>400,000</u></u>

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

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

10. TRADE RECEIVABLES

	2021 <i>S\$'000</i> (Unaudited)	2020 <i>S\$'000</i> (Audited)
Trade receivables	1,625	3,418
Less: Allowance for expected credit losses	<u>(88)</u>	<u>(99)</u>
	<u>1,537</u>	<u>3,319</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 invoice date, net of allowance for expected credit losses, are summarised as follows:

	2021 <i>S\$'000</i> (Unaudited)	2020 <i>S\$'000</i> (Audited)
Within 30 days	1,537	2,469
31 to 90 days	–	551
91 to 180 days	–	141
Over 180 days	<u>–</u>	<u>158</u>
	<u>1,537</u>	<u>3,319</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.

11. TRADE AND RETENTION SUM PAYABLES

	2021 <i>S\$'000</i> (Unaudited)	2020 <i>S\$'000</i> (Audited)
Trade payables	677	784
Retention sum payables	115	163
	792	947

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:

	2021 <i>S\$'000</i> (Unaudited)	2020 <i>S\$'000</i> (Audited)
0 to 30 days	500	523
31 to 90 days	37	179
91 to 180 days	132	8
Over 180 days	123	237
	792	947

12. DIVIDENDS

The Directors of the Company do not recommend the payment of any dividend of the years ended 31 December 2021 and 2020.

13. EVENTS AFTER THE REPORTING PERIOD

No significant event after the reporting period.

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 2021, we recorded revenue from general building projects of approximately S\$14.5 million (2020: S\$7.6 million), which accounted for approximately 90.3% of our total revenue (2020: 80.3%).

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 2021, we recorded revenue from civil engineering projects of approximately S\$0.7 million (2020: S\$1.4 million), which accounted for approximately 4.5% of our total revenue (2020: 15.2%).

As at 31 December 2021, we had six ongoing contracts with an aggregate outstanding contract value of approximately S\$19.8 million (2020: S\$10.4 million).

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021 (the “Reporting Year”), our Group recorded revenue of approximately S\$16.0 million (2020: S\$9.4 million), representing an increase of approximately 69.8% compared with prior year. The increase was mainly attributable to completion of contracts in hand brought forward from the prior year and addition three new projects during the year.

Direct costs

Our Group recorded direct costs of approximately S\$13.6 million for the Reporting Year (2020: S\$8.0 million), representing an increase of approximately 70.6% compared with the prior year. Such increase was in line with the increase in revenue for the prior year.

Gross profit and gross profit margins

For each of the year ended 31 December 2020 and 2021, our Group recorded gross profits of approximately S\$1.5 million and S\$2.5 million, respectively, while our gross profit margin decreased from approximately 15.7% for the year ended 31 December 2020 to approximately 15.3% for the year ended 31 December 2021. The decrease in gross profit margin was primarily attributable to lower gross profits margin from new projects.

Other income

Other income was approximately S\$0.6 million for the Reporting Year (2020: S\$0.6 million), same as prior year.

Administrative expenses

Administrative expenses were approximately S\$4.7 million for the year ended 31 December 2021 (2020: S\$3.9 million). The increase was mainly attributable to the increase in salaries and other employee benefits paid during the year ended 31 December 2021.

Loss for the year

As a result of the foregoing, our loss for the year amounted to approximately S\$3.7 million (2020: S\$2.1 million).

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 2021, was 1.1 times (2020: 2.0 times).

As at 31 December 2021, the Group had net current assets of approximately S\$1.7 million (2020: S\$9.7 million), including cash and cash equivalents of approximately S\$4.9 million (2020: S\$5.2 million).

The gearing ratio, calculated based on the total debt (including borrowings and lease liabilities) divided by total equity, was approximately 40.3% as at 31 December 2021 (2020: 19.8%) increased as a result of bank borrowings drawn down of approximately S\$3.0 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 2021, the Company's issued share capital was HK\$4.0 million (2020: HK\$4.0 million) and the number of ordinary shares issued was 400,000,000 of HK\$0.01 each (2020: 400,000,000 of HK\$0.01 each).

CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2021 (2020: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2021, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies (2020: Nil).

SIGNIFICANT INVESTMENTS

As at 31 December 2021, the Group did not hold any significant investments (2020: Nil).

CONTINGENT LIABILITIES AND LITIGATIONS

As at 31 December 2021, the Group was not involved in any litigation cases and the Group did not have any material contingent liabilities.

As at 31 December 2021, the Group did not have any common law claims (2020: three).

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 2021, approximately 90.3% (2020: 77.9%) 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 2021, the Group did not have any charge (2020: Nil), save for the Group's leasehold property, investment property and pledged bank deposits of approximately S\$5.8 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 2021, the Group employed a total of 399 (2020: 366) full-time staff, of which (i) 394 were in Singapore, including approximately 10% Singapore citizens and residents and approximately 90% foreigners; and (ii) 5 were in China. Total employee benefit expenses, including directors' emoluments, of the Group amounted to approximately S\$11.6 million for the year ended 31 December 2021 (2020: approximately S\$9.8 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 2021.

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 2021 <i>HK\$’000</i>	Actual use of proceeds up to 31 December 2021 <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 2021, 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 2021, 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 2021, 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 2021

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

Looking forward, it seems that the COVID-19 pandemic will continue to impact our lives and the business environment will remain challenging for the Group. Nevertheless, it is expected that the overall economic and operating environment of Singapore will recover gradually due to the increase in vaccination rates of the population.

Based on the construction demand forecast released by the Building Construction and Authority (BCA) in January 2022, it expects a steady improvement in construction demand over the medium term. The public sector is expected to lead the demand.

With the experience gained in the past two years, the Group moves into the new year with cautious optimism and prepares to respond to potential market disruptions swiftly.

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 2021. The Company was not aware of any non-compliances during the year ended 31 December 2021.

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 2021.

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\$15.0 million for the Reporting Year, representing approximately 94% of the Group's total revenue. The Group's largest customer accounted for approximately S\$5.1 million or 32% of total revenue for the Reporting Year.

The total purchase from the Group's top five suppliers amounted to approximately S\$2.8 million for the Reporting Year, representing approximately 49.2% of the Group's total purchase. The Group's largest supplier accounted for approximately S\$1.5 million or 26.8% 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 13 in this announcement, there are no significant events after the Reporting Year.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process of the annual results for the year ended 31 December 2021 has not yet been completed due to the outbreak of Covid-19 Omicron variant in Hong Kong. The unaudited results contained herein have not been agreed by the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

AUDIT COMMITTEE

The audit committee (the “Audit Committee”) of the Company has reviewed together with the management the accounting principles and policies adopted by the Group, discussed internal controls and financial reporting matters and the unaudited consolidated financial statements for the year ended 31 December 2021 during the review process.

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.

TAKEOVERS CODE IMPLICATION

Reference is also made to the announcements of the Company dated 13 July 2021 (the “Rule 3.7 Announcement”) and the announcements of the Company dated 13 August 2021, 13 September 2021, 13 October 2021, 12 November 2021, 13 December 2021, 13 January 2022, 11 February 2022 and 11 March 2022 (the “Other Rule 3.7 Announcements”) each pursuant to Rule 3.7 of the Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”).

Following the publication of the Rule 3.7 Announcement, the Company is required to comply with the relevant requirements under the Takeovers Code. Pursuant to Rule 10 of the Takeovers Code, the unaudited results announcement (“Unaudited Results Announcement”) constitutes a profit forecast containing unaudited profit figures and should be reported on by the Company’s financial adviser and auditors or reporting accountants in accordance with Rule 10.4 of the Takeovers Code. In view of the requirements of timely publication of the preliminary results (without the agreement with the auditors) on or before the deadline stipulated under Rule 18.49 of the GEM Listing Rules pursuant to the Joint Statement in relation to the Results Announcements issued by The Securities and Futures Commission and The Stock Exchange of Hong Kong Limited, the Company is required to issue this announcement as soon as practicable and given the time constraints, the Company has encountered genuine practical difficulties (time-wise or otherwise) in meeting the requirements set out in Rule 10.4 of the Takeovers Code.

Pursuant to Rule 10.4 of the Takeovers Code and Practice Note 2 of the Takeovers Code, the reports from the Company’s financial adviser and auditors on the Unaudited Results Announcement are required to be included in the next document to be sent to the Shareholders (the “Shareholders’ Document”). It is expected that the audited consolidated annual results announcement of the Group for the year ended 31 December 2021 (the “Results Announcement”) will be published prior to the despatch of the next Shareholders’ Document. If this is the case, the requirement under Rule 10 of the Takeovers Code to report on the Unaudited Results Announcement will be superseded by the publication of the Results Announcement and the relevant results together with the notes to the financial statements are included in the next Shareholders’ Document. Otherwise, the Unaudited Results Announcement shall be reported on in accordance with Rule 10 of the Takeovers Code and the relevant reports will be included in the next Shareholders’ Document.

Shareholders and potential investors should note that the Unaudited Results Announcement does not meet the standard required by Rule 10 of the Takeovers Code and has not been reported on in accordance with the Takeovers Code, and therefore they are advised to exercise caution in placing reliance on the Unaudited Results Announcement in assessing the merits and demerits of the possible sale of shares of the Company (as detailed in the Rule 3.7 Announcement).

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

Hong Kong, 31 March 2022

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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement by the Directors have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.