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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 2022

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 (the “Directors”) of the Company and its subsidiaries (collectively referred to as the “Group”) is pleased to announce its annual consolidated results for the year ended 31 December 2022, together with the corresponding comparative audited figures for the year ended 31 December 2021, which was reviewed by the audit committee of the Company, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
Revenue	5	32,641	16,018
Cost of sales		<u>(24,551)</u>	<u>(13,525)</u>
Gross profit		8,090	2,493
Other income and gains and loss	6	(57)	143
Administrative expenses		(7,115)	(4,443)
Allowance of expected credit losses, net		(501)	(1,780)
Finance costs		<u>(109)</u>	<u>(128)</u>
Profit/(loss) before tax		308	(3,715)
Income tax expense	7	<u>(16)</u>	–
Profit/(loss) for the year	8	<u>292</u>	<u>(3,715)</u>
Other comprehensive income for the year:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		<u>94</u>	<u>22</u>
Other comprehensive income for the year		<u>94</u>	<u>22</u>
Total comprehensive income/(expense) for the year		<u>386</u>	<u>(3,693)</u>
Profit/(loss) for the year attributable to owners of the Company		<u>292</u>	<u>(3,715)</u>
Total comprehensive income/(expense) attributable to owners of the Company		<u>386</u>	<u>(3,693)</u>
Earnings/(loss) per share			
Basic and diluted (in Singapore cents)	10	<u>0.07</u>	<u>(0.93)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
Non-current assets			
Investment property		232	237
Property, plant and equipment		6,459	6,606
Right-of-use assets		966	1,091
Deferred tax assets		221	–
Total non-current assets		<u>7,878</u>	<u>7,934</u>
Current assets			
Trade receivables	11	5,446	2,159
Contract assets		4,145	6,143
Prepayments, deposits and other receivables		3,337	4,061
Inventories		806	–
Financial assets at fair value through profit or loss ("FVTPL")		1,026	1,480
Pledged bank deposits		344	344
Cash and cash equivalents		5,810	4,895
Total current assets		<u>20,914</u>	<u>19,082</u>
Current liabilities			
Trade and retention sum payables	12	1,145	792
Contract liabilities		3,466	2,973
Other payables and accruals		6,374	4,854
Bank borrowings		3,047	4,152
Lease liabilities		58	108
Income tax payable		237	–
Total current liabilities		<u>14,327</u>	<u>12,879</u>
Net current assets		<u>6,587</u>	<u>6,203</u>
Total assets less current liabilities		<u>14,465</u>	<u>14,137</u>
Non-current liabilities			
Lease liabilities		957	1,015
Deferred tax liabilities		25	25
Total non-current liabilities		<u>982</u>	<u>1,040</u>
Net assets		<u><u>13,483</u></u>	<u><u>13,097</u></u>
Capital and reserves			
Share capital		695	695
Reserves		12,788	12,402
Total equity		<u><u>13,483</u></u>	<u><u>13,097</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

Indigo Star Holdings Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 8 March 2017. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 16 November 2017.

In the opinion of the directors of the Company, as at 31 December 2022, the Company’s immediate parent was Amber Capital Holdings Limited, a company incorporated in the British Virgin Islands (the “BVI”).

The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of 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 address of the principal place of business in Hong Kong is Units 1607-8, 16/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are the provision of reinforced concrete works including steel reinforcement works, formwork erection and concrete works, labour supply for construction industry, trading in ceramic tiles and as ceramic tiles contractor for building related works.

The functional currency of the Company is Hong Kong dollars. The consolidated financial statements are presented in Singapore dollars. The directors of the Company consider that choosing Singapore dollars as the presentation currency best suits the needs of the shareholders and investors as the principal place of operation of principal subsidiaries is Singapore.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB which are effective for the Group’s financial year beginning 1 January 2022:

Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020 cycle

The application of the amendments to IFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs issued but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance Contracts ¹
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 and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to IAS 1	Non-current Liabilities with Covenants ²
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after 1 January 2024.

³ 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

Information reported to the directors of the Company, being the chief operating decision maker (“CODM”), for the purpose of resource allocation and assessment of segment performance is categorised mainly according to the types of services provided and products sold.

During the year, the Group deployed additional resources to expand its existing business from construction projects to sales of tiles. The reportable operating segment is revised to separately present the construction projects and sales of tiles as described above. In prior year, the Group operates in one operating segment which is the provision of structural reinforced and concrete works in general building and civil engineering works, the Group does not present separate segment information for 2021.

Specifically, the Group's reportable segments are as follows:

- The construction contract provided including general building projects, civil engineering projects and labour supplies; and
- Sales of tiles to external customers.

No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

	Construction contract	Sales of tiles	Total
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Year ended 31 December 2022			
Segment revenue			
Revenue from external customers	20,588	12,053	32,641
Segment results	1,059	13	1,072
<i>Reconciliation:</i>			
Interest income			47
Finance cost			(109)
Fair value loss on financial assets at FVTPL			(380)
Corporate and other unallocated expenses			(322)
Profit before tax			308
Other segment information			
Depreciation of:			
– Property, plant and equipment	614	45	659
– Investment property	5	–	5
– Right-of-use assets	123	–	123
Allowance of expected credit losses, net	392	109	501
Capital expenditure *	65	447	512

* Capital expenditure consists of additions to property, plant and equipment.

	Construction contract	Sales of tiles	Total
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Year ended 31 December 2022			
Segment assets	18,892	8,363	27,255
<i>Reconciliation:</i>			
Financial assets at FVTPL			1,026
Deferred tax assets			221
Corporate and other unallocated assets			290
Total assets			<u>28,792</u>
Segment liabilities	6,237	3,090	9,327
<i>Reconciliation:</i>			
Bank borrowings			3,047
Deferred tax liabilities			25
Corporate and other unallocated liabilities			2,910
Total liabilities			<u>15,309</u>

Geographical segment information

The Group principally operates in Singapore, which is also the place of domicile. All revenue is derived from Singapore based on the location of services delivered and the Group's non-current assets are all located in Singapore. Accordingly, no geographical segment information is presented.

Information about major customers

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

	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Customer A ¹	5,145	N/A ³
Customer B ¹	N/A³	4,442
Customer C ¹	N/A³	5,137
Customer D ¹	N/A³	3,486
Customer E ¹	5,104	N/A ³
Customer F ²	3,116	N/A ³
	<u>3,116</u>	<u>N/A³</u>

¹ Revenue from construction contracts

² Revenue from construction contracts and sales of tiles

³ The corresponding revenue for the respective year did not contribute over 10% of the total revenue of the Group

5. REVENUE

Revenue represents revenue arising on construction contracts and sales of tiles for the year. An analysis of the Group's revenue for the year is as follows:

	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
Disaggregated by major services		
– Construction contracts		
• General building projects	10,741	14,457
• Civil engineering projects	5,455	717
• Labour supply	4,321	–
• Other services	71	844
– Sales of tiles	<u>12,053</u>	<u>–</u>
	<u>32,641</u>	<u>16,018</u>
Timing of revenue recognition		
Over time	20,588	16,018
At a point in time	<u>12,053</u>	<u>–</u>
	<u>32,641</u>	<u>16,018</u>

Transaction price allocated to the remaining performance obligations for contracts with customers

As at 31 December 2022, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately S\$96,308,000 (2021: S\$19,756,000). The amount represents revenue expected to be recognised in the future from general building and civil engineering projects.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
Amounts expected to be recognised as revenue		
Within one year	51,698	19,756
After one year	<u>44,610</u>	<u>–</u>
	<u>96,308</u>	<u>19,756</u>

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to construction services, of which the performance obligations are to be satisfied within two to three years. All the other amounts of transaction prices allocated to performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

6. OTHER INCOME AND GAINS AND LOSS

An analysis of the Group's other income and gains and loss is as follows:

	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
Dividend income	27	20
Fair value loss on financial assets at FVTPL	(380)	(456)
Government grants (<i>note a</i>)	222	112
(Loss)/gain on disposal of financial assets at FVTPL	(233)	154
Gain on disposal of property, plant and equipment	–	16
Interest income	47	41
Rental income from investment property (<i>note b</i>)	79	136
Sundry income	181	120
	<u>181</u>	<u>120</u>
	<u>(57)</u>	<u>143</u>

Notes:

- a. The government grants received mainly pertain to Job Growth Incentive (“JGI”) and Senior Employment Credit (“SEC”) Scheme (2021: Special Employment Credit Scheme and Workforce Training and Upgrading Scheme). The goal of JGI is to stimulate economic growth and create job opportunities, whereas SEC is to provide wage offset to help employers that employ Singaporean workers adjust to the higher retirement Age and Re-employment age. There were no unfulfilled conditions or contingencies relating to those government grants.
- b. Rental income arising from the operating leases of its investment property of the Group whose lease payments were fixed. The related direct operating expenses of S\$4,000 (2021: S\$6,000) were incurred during the year ended 31 December 2022.

7. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as following:

	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
Current tax		
– Singapore Corporate Income Tax	237	–
Deferred tax	(221)	–
	<u>(221)</u>	<u>–</u>
Income tax expense	<u>16</u>	<u>–</u>

8. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year has been arrived at after charging (crediting):

	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
Employee benefit expenses (including directors' remuneration)		
– Salaries and welfare	14,507	11,802
– Defined contributions (<i>note a</i>)	<u>346</u>	<u>270</u>
	14,853	12,072
<i>Less: government grants (note b)</i>	<u>(371)</u>	<u>(1,053)</u>
Total employee benefit expenses (including directors' remuneration)	<u><u>14,482</u></u>	<u><u>11,019</u></u>
Auditor's remuneration	112	100
Depreciation of property, plant and equipment	659	523
Depreciation of investment property	5	5
Fair value loss on financial assets at FVTPL	380	456
Reversal of impairment losses on trade receivables	–	(11)
Impairment losses on contract assets	356	–
Impairment losses on deposits and other receivables	<u>145</u>	<u>1,791</u>

Note (a): Contributions paid and payable by the Group to the schemes amounting to S\$346,000 (2021: S\$251,000). Contributions totalling S\$184,000 (2021: S\$48,000) payable to the schemes at the year end were included in other payables and accruals. There were no unutilised forfeited contributions at year end 31 December 2022 (2021: nil).

Note (b): Government grants comprises of COVID-19 related subsidies under the Jobs Support Scheme (“JSS”) and foreign worker levy (“FWL”) rebate provided by the Singapore Government.

9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share is based on the following:

	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
Profit/(loss)		
Profit/(loss) attributable to owners of the Company	<u>292</u>	<u>(3,715)</u>
	2022 '000	2021 '000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings/(loss) per share	<u>400,000</u>	<u>400,000</u>

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

The diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share because there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2022 and 2021.

11. TRADE RECEIVABLES

	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
Receivables at amortised cost comprised:		
Trade receivables	5,534	2,247
Less: allowance for impairment of trade receivables	<u>(88)</u>	<u>(88)</u>
	<u>5,446</u>	<u>2,159</u>

The Group allows credit period to the Group's customers generally within 35 days from invoice date of the relevant contract revenue. The following is an aging analysis of trade receivables net of allowance for impairment of trade receivables presented based on the invoice date, at the end of the reporting period.

	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
0 to 30 days	3,557	1,591
31 to 90 days	1,687	107
91 to 180 days	27	197
Over 180 days	<u>175</u>	<u>264</u>
	<u>5,446</u>	<u>2,159</u>

12. TRADE AND RETENTION SUM PAYABLES

	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Trade payables	808	677
Retention sum payables	337	115
	<u>1,145</u>	<u>792</u>

The credit period of trade payables is generally 30 days. 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.

The following is an aging analysis of trade and retention sum payables presented based on the invoice date at the end of the reporting period.

	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
0 to 30 days	760	500
31 to 90 days	28	37
91 to 180 days	57	27
Over 180 days	300	228
	<u>1,145</u>	<u>792</u>

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 2022, we recorded revenue from general building projects of approximately S\$10.7 million (2021: S\$14.5 million), which accounted for approximately 32.9% of our total revenue (2021: 90.3%).

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 2022, we recorded revenue from civil engineering projects of approximately S\$5.5 million (2021: S\$0.7 million), which accounted for approximately 16.7% of our total revenue (2021: 4.5%).

As at 31 December 2022, we had six ongoing contracts with an aggregate outstanding contract value of approximately S\$96.3 million (2021: S\$19.8 million).

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2022 (the “Reporting Year”), our Group recorded revenue of approximately S\$32.6 million (2021: S\$16.0 million), representing an increase of approximately 103.8% compared with prior year. The increase was mainly attributable to completion of contracts in hand brought forward from the prior year, addition three new projects during the year, and sales of tiles.

Direct costs

Our Group recorded direct costs of approximately S\$24.6 million for the Reporting Year (2021: S\$13.6 million), representing an increase of approximately 81.5% compared with the prior year. Such increase was in line with the increase in revenue for the Reporting Year.

Gross profit and gross profit margins

For each of the year ended 31 December 2021 and 2022, our Group recorded gross profits of approximately S\$2.5 million and S\$8.1 million, respectively, while our gross profit margin increased from approximately 15.6% for the year ended 31 December 2021 to approximately 24.8% for the Reporting Year. The increase in gross profit margin was primarily attributable to the higher gross profits margin of new projects and the new segment in relation to sales of tiles.

Other income, gain and (loss)

Other loss was approximately S\$0.01 million for the Reporting Year (2021: Other income S\$0.1 million). Other loss due to fair value loss on financial assets of FVTPL.

Administrative expenses

Administrative expenses were approximately S\$7.1 million for the Reporting Year (2021: S\$4.4 million). The increase was mainly attributable to the increase in salaries and other employee benefits paid during the Reporting Year.

Profit for the year

As a result of the foregoing, our profit for the year amounted to approximately S\$0.3 million (loss for 2021: S\$3.7 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 2022, was 1.5 times (2021: 1.5 times).

As at 31 December 2022, the Group had net current assets of approximately S\$6.6 million (2021: S\$6.2 million), including cash and cash equivalents of approximately S\$5.8 million (2021: S\$4.9 million).

The gearing ratio, calculated based on the total debt (including borrowings and lease liabilities) divided by total equity, was approximately 30.1% as at 31 December 2022 (2021: 40.3%) increased mainly due to repayment of bank borrowings of approximately S\$1.1 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 2022, the Company's issued share capital was HK\$4.0 million (2021: HK\$4.0 million) and the number of ordinary shares issued was 400,000,000 of HK\$0.01 each (2021: 400,000,000 of HK\$0.01 each).

CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2022 (2021: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2022, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies (2021: Nil).

SIGNIFICANT INVESTMENTS

As at 31 December 2022, the Group did not hold any significant investments (2021: Nil).

CONTINGENT LIABILITIES AND LITIGATIONS

As at 31 December 2022, the Group was not involved in any litigation cases and the Group did not have any material contingent liabilities.

As at 31 December 2022, the Group did not have any common law claims (2021: Nil).

FOREIGN EXCHANGE EXPOSURE

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

TREASURY POLICIES

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

For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history. The Group assesses concentration of credit risk by monitoring the individual profile of its trade receivables on an ongoing basis. As at 31 December 2022, approximately 37.7% (2021: 79.8%) 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 2022, the Group did not have any charge (2021: Nil), save for the Group's leasehold property, investment property and pledged bank deposits of approximately S\$0.34 million, S\$5,430 million and S\$232 million respectively which have been pledged to secure bank borrowings granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group employed a total of 605 (2021: 399) full-time staff, of which (i) 603 were in Singapore, including approximately 15% Singapore citizens and residents and approximately 85% foreigners; and (ii) 2 were in Hong Kong. Total employee benefit expenses, including directors' emoluments, of the Group amounted to approximately S\$14.5 million for the year ended 31 December 2022 (2021: approximately S\$11.8 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 2022.

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 2022 <i>HK\$’000</i>	Actual use of proceeds up to 31 December 2022 <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 2022, 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 2022, 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 2022, 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 2022

The Group has obtained licence C1 Grade and 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 few qualified quantity surveyors and is in progress of recruiting high caliber staff to strengthen our team.

PROSPECT

The economic outlook of Singapore in 2023 remains positive in the post-Covid era. The Ministry of Trade and Industry projected that the GDP of Singapore will grow by 0.5% to 2.5%. Besides, growth in China is projected to pick up in tandem with the faster-than-expected easing of its COVID-19 restrictions. This has led to improvements in the growth outlook of regional economies. Moreover, the global supply situation continues to stabilize due to softening global demand conditions.

Based on the construction demand forecast released by the Building Construction and Authority (“BCA”) in January 2023, total construction demand in 2023 is projected to range between S\$27 billion and S\$32 billion, similar to last year’s projection. Regarding the public sector, industrial and institutional building construction is expected to contribute strongly to public sector demand, with more projects for construction of water treatment plants, educational buildings and community club. Civil engineering construction demand is anticipated to stay firm with continued support from MRT line construction and other infrastructure works. Regarding the private sector, both residential and industrial building construction demand are expected to be similar to last year’s level, underpinned by the development of new condominiums and high specification industrial buildings. Due to rescheduling of some major projects from 2022 to 2023 as well as redevelopment of old commercial premises to enhance asset values, commercial building demand is anticipated to increase.

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 maintain BCA workheads licences C1 Grade and 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 C.2.1

Code provision C.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 2022. The Company was not aware of any non-compliances during the year ended 31 December 2022.

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 2022.

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\$18.1 million for the Reporting Year, representing approximately 55% of the Group’s total revenue. The Group’s largest customer accounted for approximately S\$5.1 million or 16% of total revenue for the Reporting Year.

The total purchase from the Group’s top five suppliers amounted to approximately S\$6.5 million for the Reporting Year, representing approximately 45.6% of the Group’s total purchase. The Group’s largest supplier accounted for approximately S\$1.6 million or 11.0% 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

There is no significant event 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 2022. 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 Tuesday, 20 June 2023. The register of members of the Company will be closed from Thursday, 15 June 2023 to Tuesday, 20 June 2023 (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 Wednesday, 14 June 2023.

PUBLICATION OF 2022 ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2022 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, Chief Executive Officer and
Executive Director*

Hong Kong, 27 March 2023

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.