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 REPORT 2017

CHARACTERISTICS OF GEM ("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 report, 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 report 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 report misleading.

This report will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company's website at www.indigostar.sg.

All defined terms have the same meanings as set out in the prospectus of the Company dated 31 October 2017, unless otherwise defined.

Certain English translations of Chinese names or words marked with "" are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words. If there is any inconsistency between the Chinese names of entities and their English translations, the Chinese names shall prevail.*

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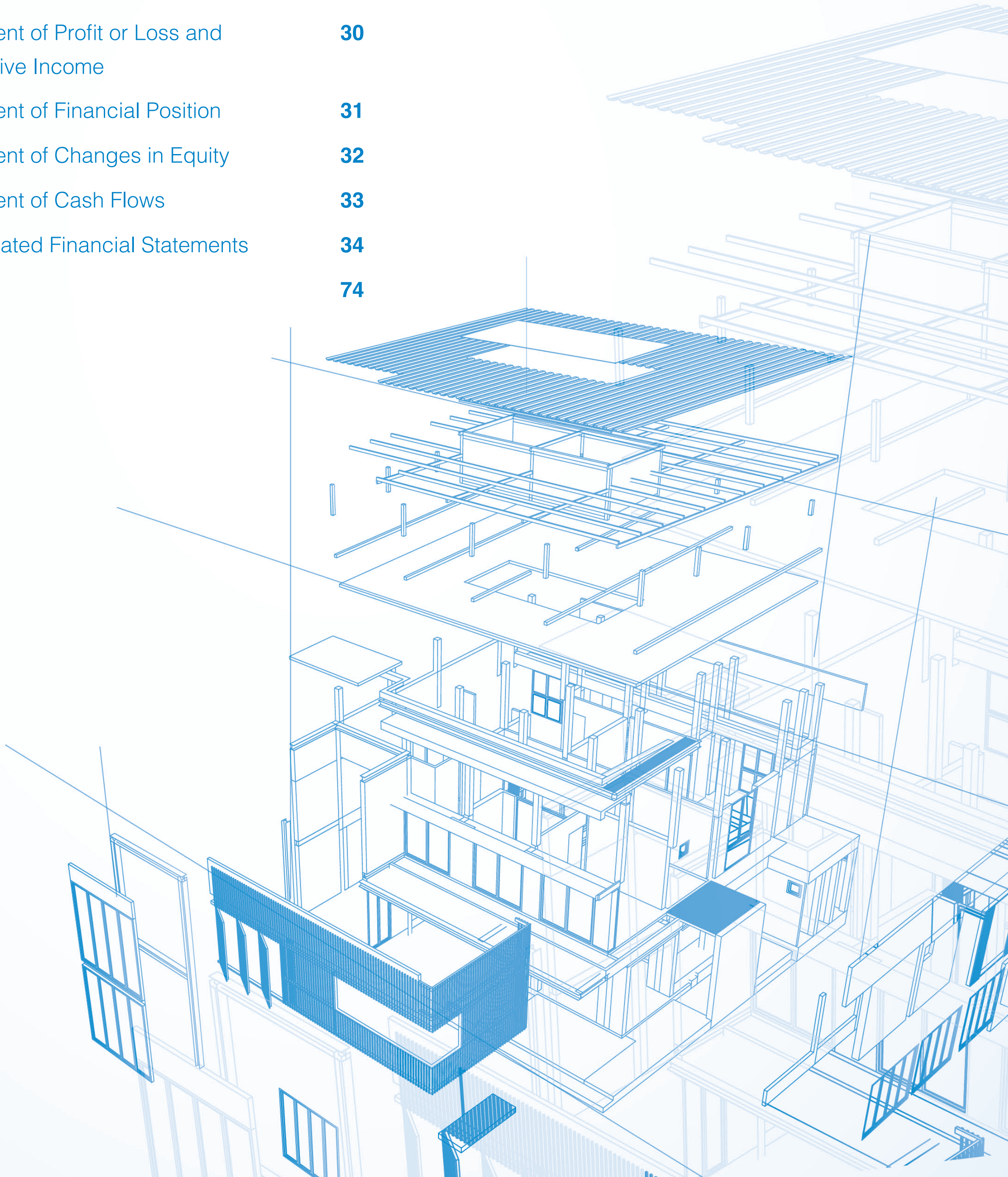


CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Goh Cheng Seng
(Chairman and Chief Executive Officer)
Ms. Tan Soh Kuan
Mr. Ng Sai Cheong

Independent Non-executive Directors

Mr. Ma Yiu Ho Peter
Mr. Tan Kee Cheo (also known as Tan Kee Cheok)
Mr. Yip Ki Chi Luke
Mr. Zhou Guangguo (Appointed on 9 February 2018)

COMPANY SECRETARY

Mr. Ng Sai Cheong

COMPLIANCE OFFICER

Mr. Ng Sai Cheong

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

AUTHORISED REPRESENTATIVES

Mr. Goh Cheng Seng
Mr. Ng Sai Cheong

AUDIT COMMITTEE

Mr. Ma Yiu Ho Peter *(Chairman)*
Mr. Tan Kee Cheo
Mr. Yip Ki Chi Luke

REMUNERATION COMMITTEE

Mr. Tan Kee Cheo *(Chairman)*
Mr. Goh Cheng Seng
Mr. Yip Ki Chi Luke

NOMINATION COMMITTEE

Mr. Yip Ki Chi Luke *(Chairman)*
Ms. Tan Soh Kuan
Mr. Ma Yiu Ho Peter

AUDITORS

HLB Hodgson Impey Cheng Limited

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS

5, Upper Aljunied Link, #03–08
Quartz Industrial Building
Singapore 367903

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

4/F., 5/F. and 1602, Central Tower
28 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKERS

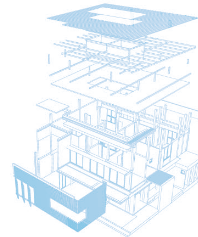
United Overseas Bank Limited

COMPANY'S WEBSITE

www.indigostar.sg

STOCK CODE

8373



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of the Directors of Indigo Star Holdings Limited (the "Company" or "our Company", together with its subsidiaries, the "Group" or "our Group"), I would like to present the annual report of the Group for the year ended 31 December 2017 (the "Reporting Year") to you.

Our Company has successfully listed on GEM on 16 November 2017 (the "Listing"). On behalf of the Group, I would like to express our deep gratitude to all parties who have assisted us in building our business over the years and during the preparation process of the Listing.

In the Reporting Year, our Group achieved an increase in revenue by approximately 50.3% to approximately S$45.2 million, as compared to approximately S$30.1 million in the year ended 31 December 2016 (the "prior year").

The growth was of our revenue mainly attributable to the increase in revenue of approximately S$10.6 million and S$6.4 million recognised for Project Outram Community Hospital and Project New State Courts respectively, as a result of greater portions of works performed during the year ended 31 December 2017. The effect was partially offset by the decrease in revenue of approximately S$1.3 million recognised for Project Tanjong Pagar Mixed Development as they were substantially completed in the prior year. Profit for the Reporting Year recorded approximately S$2.6 million, representing a decrease by approximately 12.5% as compared to the prior year, as a result of the expenses incurred from the Listing during the Reporting Year.

Looking ahead, the Group expects that the demand in construction industry in Singapore will continue to grow. The outlook for the construction industry in Singapore remains optimistic. Despite the fact that the competition of the market will be continue to be intense, the Group will continue to carefully evaluate the potential costs and seek for suitable projects for main contractor works and subcontracting works for business diversification to increase shareholders' return.

I would like to take this opportunity to express my gratitude to all shareholders, customers and suppliers for their valuable support. I would also like to express our sincere appreciation to all the employees of the Group for their hard work and dedication.

Goh Cheng Seng
Chairman and Chief Executive Officer

19 March 2018

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. GOH Cheng Seng (吳進順先生) ("Mr. Goh"), aged 48, is our founder, executive Director, Chairman and Chief Executive Officer of the Company. He is also one of the controlling shareholders of the Company. He has over 30 years of experience in the construction industry in Singapore and Malaysia. Mr. Goh is primarily responsible for overseeing our Group's business strategy and overall management of our Group. Prior to founding our Group in 1992, Mr. Goh had accumulated around five years of experience in the construction industry in both Malaysia and Singapore. From 1987 to 1988, Mr. Goh worked as an apprentice in Energo Project Ltd., a construction company in Malaysia, where he started to gain exposure to the construction industry through participating in projects involving pore piling, precast elements and structural works. From 1989 to 1991, Mr. Goh worked for Eastern Industries Pte. Ltd., a construction company in Singapore, as a steel reinforcement scheduler responsible for preparing bar bending schedule for off-site steel reinforcement cut and bending.

Over the years, Mr. Goh has participated in and handled various large-scale projects, including the construction of Sungei Langat Water Treatment Plant at Dengkil, Selangor, Malaysia, the 25-kilometre highway from Pagoh to Ayer Keroh in Malaysia and the Seletar Sewage Treatment Plant Phase II in Singapore.

Mr. Goh has attended WSH bizSAFE Level 1 Workshop for Company CEO and Top Management conducted by Hong Tech Consultant Pte. Ltd. in February 2008. He has also completed the Building Construction Supervisor Safety Course and the Work-at-Height Course for Supervisors, both organised by Star Safety Training Pte. Ltd., in August 2015.

Mr. Goh is the spouse of Ms. Tan Soh Kuan, our executive Director and controlling shareholder, and the brother-in-law of Ms. Tan Soh Lay, our human resource and administrative director.

Ms. TAN Soh Kuan (陳素寬女士) ("Ms. Tan"), aged 46, is our executive Director. She is also one of our controlling shareholders. She is primarily responsible for overseeing the financial performance of our Group and ensuring compliance with our Group's policies and objectives. She was a director of Interno Engineering (1996) Pte. Ltd. ("IEPL") from December 1996 to March 2012 responsible for monitoring staff performance, and reviewing and recommending policies on employees' welfare and incentives. She also assumed the role of financial controller of IEPL from January 2013 to December 2015. She has been responsible for the financial, human resources and administrative matters for our Group. Ms. Tan attained a specialist diploma in workplace safety and health under the Singapore Workforce Skills Qualifications awarded by the Singapore Workforce Development Agency in August 2010.

Ms. Tan is the spouse of Mr. Goh and the sister of Ms. Tan Soh Lay.

Mr. NG Sai Cheong (伍世昌先生) ("Mr. Ng"), aged 41, is our executive Director, company secretary and compliance officer. He is responsible for the overall financial and secretarial aspects of our Group. Mr. Ng has more than 18 years of experience in auditing and accounting. Prior to joining our Group, Mr. Ng worked as a semi-senior at Lee Sik Wai & Co., an accounting firm, between June 1998 and April 2000. He then worked at Charles Chan, Ip & Fung CPA Limited (currently known as CCIF CPA Limited) as an auditor from April 2000 until February 2001. Between February 2001 and September 2002 and between October 2002 and September 2003, he served as a staff accountant and senior accountant, respectively, at Ernst & Young. He later joined Beauty China Holdings Limited (a company formerly listed on the Singapore Stock Exchange (stock code: B15.SG)) as an accounting manager in October 2003 and was promoted to assistant financial controller in October 2007, a position which he had held until August 2009. He then worked at Top Express Holdings Limited as its accounting manager between September 2009 and April 2012 and his last position held is chief financial officer. Mr. Ng has been the financial controller of Kwan On Holdings Limited, a company listed on the Main Board of the Stock Exchange (the "Main Board") (stock code: 1559) since August 2012 and its company secretary since January 2013.

Mr. Ng graduated from The Hong Kong University of Science and Technology in November 1998 with a bachelor of business administration degree in accounting and obtained a master of corporate governance degree from The Open University of Hong Kong in June 2007. Mr. Ng has become an associate of the Hong Kong Institute of Certified Public Accountants since March 2003 and an associate of the Hong Kong Institute of Chartered Secretaries since September 2007.

Independent non-executive Directors

Mr. MA Yiu Ho Peter (馬遙豪先生) ("Mr. Ma"), aged 52, was appointed as an independent non-executive Director on 24 October 2017 and is mainly responsible for supervising and providing independent judgment to our Board. He is also the chairman of the audit committee and a member of the nomination committee of our Company. Mr. Ma is currently the financial controller of Chyau Fwu Properties Limited, a company principally engaged in property development and hospitality. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 1990 and a fellow member of the Chartered Association of Certified Accountants (UK) since April 1994. Mr. Ma obtained a Master Degree of Business Administration from the Hong Kong University of Science and Technology in November 1995. He has also been a member of the Hong Kong Institute of Directors since December 2015. Mr. Ma has over 20 years of experience in the finance and accounting field and worked as the financial controller and company secretary of The Hong Kong Parkview Group Limited (now known as Joy City Property Limited) (stock code: 207) from June 2008 to August 2012 and May 2011 to August 2012, respectively. From February 2008 to June 2008, Mr. Ma was the financial controller of VODone Limited (now known as V1 Group Limited) (stock code: 82) (the shares of these companies are listed on the Main Board). From June 2005 to September 2007, Mr. Ma was the chief financial officer of Superior Fastening Technology Limited (now known as Renewable Energy Asia Group Limited), a company listed on the Singapore Stock Exchange.

Mr. Ma is currently an independent non-executive director of various companies whose shares are listed on the Stock Exchange, a summary of which is set out as follows.

Name of companies	Position	Tenure of service
Convoy Global Holdings Limited (formerly known as Convoy Financial Holdings Limited) (stock code: 1019)	Independent non-executive director	March 2010 to present
China Packaging Holdings Development Limited (now known as Mobile Internet (China) Holdings Limited) (stock code: 1439)	Independent non-executive director	December 2013 to present
TEM Holdings Limited (stock code: 8346)	Independent non-executive director	April 2016 to present
Royal Catering Group Holdings Company Limited (stock code: 8300)	Independent non-executive director	July 2016 to present

Mr. TAN Kee Cheo (also known as TAN Kee Cheok) (陳祺石先生) ("Mr. Tan"), aged 52, was appointed as an independent non-executive Director on 24 October 2017 and is mainly responsible for supervising and providing independent judgment to our Board. He is also the chairman of the remuneration committee and a member of the audit committee of our Company. Mr. Tan graduated from the Royal Melbourne Institute of Technology with a bachelor of civil engineering degree in October 1990. He was accredited as a Resident Engineer by the Association of Consulting Engineers Singapore in January 2017.

Mr. YIP Ki Chi Luke (葉祺智先生) ("Mr. Yip"), aged 52, was appointed as an independent non-executive Director on 24 October 2017 and is mainly responsible for supervising and providing independent judgment to our Board. He is also the chairman of the nomination committee and a member of the audit committee and the remuneration committee of our Company. Mr. Yip obtained a Bachelor of Laws degree from University of London in August 1991 and a Postgraduate Certificate in Laws from The University of Hong Kong in June 1992. He was admitted as a solicitor of the High Court of Hong Kong in April 1994 and is currently a practising solicitor in Hong Kong with over 20 years of post-qualification experience in the legal profession. From May 1992 to September 1996, he worked at Messrs. P. C. Woo & Co. as a trainee solicitor and subsequently a solicitor. He then joined Messrs. Siao, Wen & Leung in October 1996 as a solicitor. From March 1997 to September 1999, Mr. Yip was a partner and subsequently a consultant at Messrs. Wong & Yip. He has been a partner of Messrs. Cheung & Yip since February 1999. Mr. Yip has been a Notary Public and Civil Celebrant in Hong Kong since 2006. He was recognised as an Accredited General Mediator by the Law Society of Hong Kong in December 2010 and has been a China Appointed Attesting Officer since December 2015.

Mr. ZHOU Guangguo (周光國先生) ("Mr. Zhou"), aged 42, was appointed as an independent non-executive Director on 9 February 2018 and is mainly responsible for supervising and providing independent judgment to our Board. Mr. Zhou obtained a bachelor of laws from Beijing Institute of Technology and a master's degree in economic law from Capital University of Economics and Business* (首都經濟貿易大學) in the People's Republic of China ("PRC") in July 2001 and a master of international and comparative law from Vrije Universiteit Brussel in Belgium in June 2005. Mr. Zhou has worked in Beijing No. 2 Intermediate People's Court* (北京市第二中級人民法院) and has been a practising lawyer in Beijing since 2006. Mr. Zhou is currently a partner of Beijing Junzhi Law Firm* (北京市君致律師事務所), serving of a client portfolio ranging from PRC's state-owned enterprises to domestic and offshore listed companies. His practice focuses on daily corporate matters, mergers and acquisitions, bond issuance, initial public offerings and other commercial practice, as well as practice on litigation and arbitration. Mr. Zhou was appointed as an independent non-executive director of National United Resources Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 254), from June to August 2017.

SENIOR MANAGEMENT

Mr. TAN Kim Yem (陳錦炎先生) ("Mr. KY Tan"), aged 68, is our operation director and is responsible for establishing and developing operational plans for our Group's projects, including its tendering, execution and completion. Mr. KY Tan joined our Group in April 1996 as a site foreman, and was promoted to project manager in April 2004, and to his current position as operation director in April 2010. Mr. KY Tan completed the Safety Coordinators Training Course organised by the Academy of the Building and Construction Authority of Singapore (the "BCA") in October 2007, the Safety Management Assessment (SMA) Scheme Workshop conducted by SC2 Pte. Ltd. in January 2008, the certificate in Risk Management Course organised by QuESH Consultants (Pte) Ltd in August 2009, and the Construction Safety Course for Project Managers organised by Absolute Kinetics Consultancy Pte. Ltd. in July 2010. Mr. KT Tan is a registered CoreTrade personnel under the Construction Registration of Tradesman Scheme implemented by BCA.

Ms. TAN Soh Lay (陳素麗女士) ("Ms. Sally Tan"), aged 45, is our human resource and administrative director. Ms. Sally Tan is primarily responsible for overseeing our Group's administrative and human resources activities, and reporting to our executive Directors on human resources issues, strategies and solutions. Ms. Sally Tan joined our Group in August 1998 as an administrative and accounting assistant, and was promoted to human resources and accounting executive in August 2001, and to human resources and finance manager in January 2004. Ms. Sally Tan assumed her current role in November 2016. Ms. Sally Tan was awarded a Diploma in Business Administration and Marketing in February 1998 by TMC Business School in Singapore. Ms. Sally Tan is the sister of Ms. Tan and the sister-in-law of Mr. Goh.

Mr. KOK Seng Yoong Peter (郭盛勇先生) ("Mr. Kok"), aged 56, is our general manager. Mr. Kok is primarily responsible for developing and implementing market and business development strategies of our Group and managing our relationship with our customers. Prior to joining our Group in November 2016, Mr. Kok has worked at various construction companies in Singapore. He worked as a general manager in BSI (1990) Pte. Ltd. from 2004 to 2016 responsible for overall management and supervision of construction projects in both public government and private sectors. From 1993 to 2004, he was a project manager at Kay Lim Construction & Trading Pte. Ltd. responsible for project management of building construction works which ranges from industrial, institutional to community club buildings for both private and public sectors. From 1981 to 1993, he was a site manager at Tan Gim Huat Contractors Pte. Ltd. responsible for the daily supervision of all works in projects which ranges from bridges, canals, institutional building, landed residential to wild life enclosures at Jurong Bird Park. Mr. Kok has over 35 years of management experience in the construction industry in Singapore and is knowledgeable in both categories of general building and civil engineering. He has experience in managing and leading public and private sector projects of various types, including general building, civil engineering, major retrofitting and design and build projects.

Mr. Kok graduated from Singapore Polytechnic with a Diploma in Building in May 1995 and was awarded a Bachelor Degree in Applied Science (Construction Management) by Royal Melbourne Institute of Technology in May 1999. Mr. Kok also obtained a certificate awarded by the Occupational Safety and Health (Training & Promotion) Centre of the Ministry of Manpower of Singapore following his completion of the Construction Safety Course for Project Managers in June 1998.

COMPANY SECRETARY

Mr. NG is the company secretary of our Company, who is also the executive Director. His biography is set out in the paragraph headed "Directors" in this section above.

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.

BUSINESS REVIEW

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

Set out below are the details of the contracts contributing to the revenue for the year ended 31 December 2017:

Name of project	Nature of project	Customer	Type of services offered	Commencement date	Expected completion date	Contract sum S$'000
Project Orchard Station	Public – civil engineering	Penta Bachy Joint Venture	Reinforced concrete works	October 2015	October 2019	38,249
Project New State Courts	Public – civil engineering	Samsung	Reinforced concrete works	June 2016	October 2018	23,556
Project Paya Lebar Central	Private – general building	JDC	Steel reinforcement works	September 2016	January 2018	1,897
Project Outram Community Hospital	Public – general building	Penta-Ocean	Reinforced concrete works	April 2016	July 2018	24,302
Project Tanjong Penjuru	Private – general building	Customer 1	Main contract	May 2017	January 2018	7,518
Project Woodlands	Public – general building	Penta-Ocean	Steel reinforcement works and formwork erection	November 2017	March 2018	7,793
Project SICC	Private – civil engineering	Customer 2	Main contract	November 2017	June 2017	1,914
Project Sengkang General Hospital 2	Public – general building	Penta Ocean	Steel reinforcement works	September 2015	June 2017	15,791

FINANCIAL REVIEW

Revenue

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

Direct costs

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

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

Gross profit and gross profit margin

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

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

Other income, net

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

Administrative expenses

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

Finance costs

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

Income tax expenses

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

Profit for the year

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

CAPITAL STRUCTURE

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

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

COMMITMENTS

As lessor

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

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

As lessee

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

SIGNIFICANT INVESTMENTS

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

CONTINGENT LIABILITIES AND LITIGATIONS

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

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

FOREIGN EXCHANGE EXPOSURE

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

TREASURY POLICIES

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

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

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

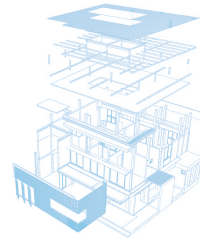
To ensure sufficient liquidity to meet the liabilities when fall due, the Group's policy is to monitor current and expected liquidity requirements to maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet short and long term liquidity requirements.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

CHARGE OF GROUP'S ASSETS AND SECURITIES FOR BANKING FACILITIES

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

a. the investment property of the Group (Note 17 of the consolidated financial statements); and

b. the leasehold property of the Group (Note 18 of the consolidated financial statements).



EMPLOYEES AND REMUNERATION POLICIES

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

SHARE OPTION SCHEME

The Group has adopted a share option scheme pursuant to which the Company may grant options to individuals including employees, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company and any subsidiary to acquire shares of the Company. The Directors consider that the share option scheme assists in recruiting and retaining high calibre employees. Details of which are set out in note 33 of the consolidated financial statement.

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

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

PROSPECT

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

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

CORPORATE GOVERNANCE REPORT

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

COMPLIANCE WITH CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors (the "Code of Conduct") on terms no less than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Directors had made specific enquiries with all Directors and all of them confirmed their compliance with the Code of Conduct from 16 November 2017 (the "Listing Date") and up to the date of this report.

BOARD OF DIRECTORS

Composition of the Board

The Board currently comprises seven Directors, with three executive Directors and four independent non-executive Directors.

Executive Directors

Mr. Goh Cheng Seng *(Chairman and Chief Executive Officer)*
Ms. Tan Sok Kuan
Mr. Ng Sai Cheong

Independent non-executive Directors

Mr. Ma Yiu Ho Peter
Mr. Tan Kee Cheo
Mr. Yip Ki Chi Luke
Mr. Zhou Guangguo (appointed on 9 February 2018)

The biographical details of the Directors are set out in Biographical Details of Directors and Senior Management of this annual report. Save as disclosed below, none of the Directors have any relationship with other Director and/senior management of the Company:

(a) Mr. Goh is spouse of Ms. Tan and brother-in-law of Ms. Sally Tan;

(b) Ms. Tan is spouse of Mr. Goh and sister of Ms. Sally Tan; and

(c) Ms. Sally Tan is sister of Ms. Tan and sister-in-law of Mr. Goh.

Responsibilities of the Board

The Board is collectively responsible for managing and overseeing the operations of the Company.

It is also assumed responsibility for the leadership and control of the Company and for promoting its success by directing and supervising its affairs. Directors have to take decisions objectively in the best interests of the Company.

The Board regularly reviews the contribution required from each of the Directors to perform his/her responsibilities to the Company, and whether he/she has spent time performing such responsibilities.

The Board has also established and delegated various responsibilities to the board committee with details as set out in the section headed "Committees of the Board". The Board may from time to time delegate certain responsibilities to the management if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board.

The Board also has to perform the following corporate governance functions in accordance with code provision D.3.1 of the CG Code:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Company;

(b) to review and monitor the training and continuous professional development of the Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Company and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in this corporate governance report.

Board Meetings

Code provision A.1.1 of the CG Code provides, among other things, that the board of an issuer should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

As the Company was listed on 16 November 2017, the Board did not hold regular meetings during the period from the Listing Date to 31 December 2017. Going forward, the Board will hold at least four regular meetings a year.

Appointment, Retirement and Removal of Directors

Each of the executive Directors, namely Mr. Goh, Ms. Tan and Mr. Ng, has entered into a service contract with the Company for an initial term of three years with effect from the Listing Date and shall continue thereafter unless and until it is terminated by the Company or the relevant Director giving to the other not less than three months' prior notice in writing.

Code provision A.4.1 of the CG Code provides that the non-executive directors should be appointed for a specific term, subject to re-election.

Each of the independent non-executive Directors, namely Mr. Ma, Mr. Tan and Mr. Yip, and Mr. Zhou has entered into a letter of appointment with the Company. Each letter of appointment is for an initial term of one year commencing from the Listing Date and shall continue thereafter unless terminated by either party giving at least one month's notice in writing.

According to Article 84 of the articles of association of the Company (the "Articles"), at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Independent non-executive Directors

As at the date of this annual report, the Company has four independent non-executive Directors, representing more than one-third of the Board in compliance with Rule 5.05(1) and 5.05A of the GEM Listing Rules. At least one of the independent non-executive Directors possesses appropriate professional qualifications, or accounting or related financial management expertise in compliance with Rule 5.05(2) of the GEM Listing Rules.

The Company has received confirmation of independence from each of the independent non-executive Directors for the period from his appointment to 31 December 2017.

Board Diversity Policy

The Company adopted a board diversity policy (the "Board Diversity Policy"). The Company recognised the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of measurable aspects including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of services, all of which the Company considers to be important to enhance the quality of its performance. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The nomination committee of the Company (the "Nomination Committee") will monitor the implementation of the Board Diversity Policy and recommend any proposed changes to the Board for approval. The Nomination Committee will from time to time review the Board Diversity Policy as appropriate to ensure its effectiveness.

Professional Development

Code provision A.6.5 of the CG Code provides that all directors of an issuer should participate in continuous professional development to develop and refresh their knowledge and skills, so as to ensure that their contribution to the board remains informed and relevant.

For the Reporting Year, all Directors participated in the training courses regarding directors' responsibilities and obligations under the GEM Listing Rules, the CG Code and the Companies Ordinance (Cap 622, the laws of Hong Kong).

COMMITTEES OF THE BOARD

The Board delegates certain responsibilities to various committees. In accordance with the Articles and the GEM Listing Rules, the Company formed three board committees, namely, the audit committee, the remuneration committee and the nomination committee.

Audit Committee

The audit committee of the Company (the "Audit Committee") was established on 24 October 2017 in accordance with Rule 5.28 of the GEM Listing Rules with written terms of reference in compliance with the CG Code. As at the date of this annual report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Ma, Mr. Tan and Mr. Yip. Mr. Ma is the chairman of the Audit Committee.

The principal responsibilities of the Audit Committee include:

(a) reviewing the Company's annual financial statements;

(b) reviewing and monitoring the extent of the non-audit work undertaken by external auditors;

(c) advising on the appointment of external auditors; and

(d) reviewing the effectiveness of the Company's internal audit activities, internal control and risk management systems.

As the Audit Committee was only established on 24 October 2017 and the Company was listed on 16 November 2017, no Audit Committee meeting was held for the Reporting Year.

During the Reporting Year, the Audit Committee has reviewed and discussed the risk management and internal control systems of the Group and the effectiveness of the Group's internal audit function.

From the Listing Date to the date of this annual report, the Audit Committee also reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2017 and the Board has approved the same under the recommendations of the Audit Committee.

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 24 October 2017 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules. As at the date of this annual report, the Remuneration Committee comprises one executive Director, namely Mr. Goh and two independent non-executive Directors, namely Mr. Tan and Mr. Yip. Mr. Tan is the chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee include:

(a) making recommendations to the Board on the Company's policy on executive Director's remuneration;

(b) determining the individual remuneration and benefits package of each of the executive Directors; and

(c) recommending and monitoring the remuneration of senior management below Board level.

As the Remuneration Committee was only established on 24 October 2017 and the Company was listed on 16 November 2017, no Remuneration Committee meeting was held for the Reporting Year.

During the Reporting Year, the Remuneration Committee has determined the policy for the remuneration of executive Directors and assessed performance of executive Directors.

Nomination Committee

The Nomination Committee was established on 24 October 2017 with written terms of reference in compliance with the CG Code. As at the date of this annual report, the Nomination Committee comprises one executive Director, namely Ms. Tan and two independent non-executive Directors, namely Mr. Yip and Mr. Ma. Mr. Yip is the chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee include:

(a) assisting the Board in discharging its responsibilities relating to the composition of the Board;

(b) evaluating the balance of skills, knowledge and experience on the Board;

(c) evaluating the size, structure and composition of the Board; and

(d) evaluating the retirements and appointments of additional and replacement directors and making appropriate recommendations to the Board on such matters.

As the Nomination Committee was only established on 24 October 2017 and the Company was listed on 16 November 2017, no Nomination Committee meeting was held for the Reporting Year.

During the Reporting Year, the Nomination Committee determined the policy for the nomination of Directors. The Nomination Committee also monitored the implementation of the Policy and reviewed the Policy to ensure the effectiveness of the Policy.

Directors' Responsibilities for Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the GEM Listing Rules.

The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

Statement of the external auditor's responsibilities in respect of the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group strives to maintain the integrity of its business, results of operations and reputation by strictly adhering to an internal control system in respect of its business. The Group has therefore implemented internal control procedures and manuals covering a number of key control areas such as tendering, purchase and procurement management, financial management and safety and environment compliance management with a view to ensuring compliance by the Group with applicable laws, rules and regulations.

The Board, through the Audit Committee, is responsible for overseeing and monitoring the key measures adopted by the Group under the risk management and internal control systems relating to the business operations of the Company and assess the effectiveness regularly. Review on the key measures adopted by the Group under the risk management and internal control systems relating to the Group's business operations has been conducted for the Reporting Year.

For the Reporting Year, the Company did not have an audit function. The Company engaged an independent internal control consultant to perform a comprehensive evaluation of the Company's internal control system, including the areas of financial, operation, compliance and risk management. The results of the evaluation were report to the Board and measures was taken by the Company after taking into account of the findings and recommendations of the internal control consultant.

Based on the above, for the Reporting Year, the Board considered the Group's risk management and internal control system as adequate and effective.

AUDITORS' REMUNERATION

During the Reporting Year, the fees paid/payable to the Company's auditors, HLB Hodgson Impey Cheng Limited, is set out as follows:

	S$'000
Audit services	177
Non-audit services	–
	177

COMPANY SECRETARY

Mr. Ng, an executive Director and the compliance officer of the Company, is also the company secretary of the Company. The biographical details of Mr. Ng are set out in Biographical Details of Directors and Senior Management of this annual report.

COMPLIANCE OFFICER

Mr. Ng, an executive Director and the company secretary of the Company, is also the compliance officer of the Company. The biographical details of Mr. Ng are set out in Biographical Details of Directors and Senior Management of this annual report.

SHAREHOLDERS' RIGHTS

Right to put forward proposals at shareholders' meeting

Shareholders who wish to make proposals or move a resolution to convene an extraordinary general meeting may follow the procedures as set out in the section headed "Right to convene extraordinary general meeting" below.

Right to convene extraordinary general meeting

Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of our Company (the "requisitionist") shall have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself/herself/itself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Board shall be reimbursed to the requisitionist(s) by our Company.

Right to put forward enquiries

Shareholders may send their written enquiries to the Board through the company secretary at 4/F., 5/F. and 1602, Central Tower, 28 Queen's Road Central, Hong Kong.

INVESTORS RELATIONS

The Group has established various communication channels between the Group and its shareholders and investors, including but not limited to publication of notices and announcement through its website at www.indigostar.sg.

The Articles were conditionally adopted on 24 October 2017 with effect from the Listing Date. No change has been made to the Articles since then.

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements for the Reporting Year.

CORPORATE REORGANISATION AND LISTING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 March 2017 under the Companies Law of the Cayman Islands. Pursuant to the Reorganisation, the Company became the holding company of the Group on 16 October 2017.

Further details of the Reorganisation are set out in the section headed "History, Reorganisation and Group Structure" in the prospectus dated 31 October 2017 (the "Prospectus"). The ordinary shares of the Company (the "Shares") were listed on the GEM on 16 November 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of reinforced concrete works. Details of the principal activities of its subsidiaries are set out in the note 40 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Year.

BUSINESS REVIEW

Discussion and analysis of the business of the Group, outlook of the business and the analysis of the Group's performance for the Reporting Year and important events affecting the Group can be found in the Chairman's Statement and Management Discussion and Analysis of this annual report.

Key risks and uncertainties

The Company believes that risk management practices are important and uses its best efforts to ensure they are sufficient so as to mitigate the risks present in its operations and financial position as efficiently and effectively as possible.

The Group's key business risk exposures are summarised below:

(i) The Group's revenue during the Reporting Year was primarily generated from contracts awarded by its top five customers and any significant decrease in the number and/or the contract amount of projects with its major customers and any liquidity problems of its major customers may materially and adversely affect its financial condition and operating results;

(ii) The Group's revenue is mainly derived from projects which are non-recurring in nature and the Group may not be able to secure new customers or projects continuously;

(iii) The Group's success depends on its key personnel and its ability to attract, motivate and retain a sufficient number of competent or qualified employees;

(iv) Contract prices may not reflect the actual construction costs involved. The revenue and profitability of the Group are vulnerable to fluctuations in material costs and subcontracting costs;

(v) Failure to provide timely and quality services could materially affect the Group's financial performance as well as tarnish its reputation;

(vi) The Group's revenue and profitability generated during the Reporting Year may not be indicative of the future results of the operations;

(vii) The Group's business is dependent on the continuous provision of supplies and services by its suppliers;

(viii) The Group's plan of setting up regarding its cut and bend factory and dormitory may not be successfully implemented;

(ix) The Group could be negatively affected by the performance by its subcontractors;

(x) The Group's role as a main contractor may expose it to risk of prosecution and additional financial burden;

(xi) The Group's role as a main contractor may expose it to liquidity risks;

(xii) The Group's role as a main contractor may increase its subcontracting charges;

(xiii) Failure to collect the Group's receivables or receive the retention monies on time and in full may affect its liquidity position;

(xiv) The Group's cash flows may fluctuate due to the payment practice applied to its suppliers;

(xv) The Group may experience weak liquidity in the future as the Group had recorded net cash outflow from its operating activities in the past;

(xvi) The Group's operations may subject it to claims or the Group is exposed to litigation or dispute;

(xvii) The insurance coverage of policies maintained by the Group's customers, acting as main contractors, and the Group may be insufficient to cover all losses or potential claims arising in the course of operations;

(xviii) The Group's workforce is largely made up of foreign workers and any adverse changes in the government policies in relation to foreign workers could materially affect its operations and financial performance;

(xix) The Group's business operations involve inherent industrial risks and occupational hazards and the materialisation of such risks may tarnish its reputation as well as affect the Group's financial results;

(xx) Cancellation or suspension of or failure to renew the Group's current licenses and workheads registration may affect its operations and financial performance;

(xxi) The requirement to take out performance bonds to secure the Group's due performance of construction contracts will affect its cash flows and financial position; and

(xxii) Increase in the depreciation charge due to the additional capital expenditure may affect the Group's financial performance.

For other risks and uncertainties facing the Group, please refer to the section headed "Risk Factors" in the Prospectus.

Environmental policies and performance

The Group is committed to promoting and maintaining the environmental and social sustainable development; and complying with all relevant laws and regulations. A separate report on environmental, social and governance matters will be published within three months after the publication of this annual report.

Compliance with relevant laws and regulations

As far as the Directors are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group. During the Reporting Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Relationships with employees, customers and suppliers

The Group maintains a good relationship with its employees and provides its employees with competitive remuneration, good welfare benefits and continuous professional training.

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals. During the Reporting Year, there were no material and significant dispute between the Group and its employers, suppliers, customers and/or other stakeholders.

RESULTS AND DIVIDEND

The results of the Group for the Reporting Year are set out in Consolidated Statement of Profit or Loss and Other Comprehensive Income of this annual report.

The Board did not recommend the payment of a final dividend for the Reporting Year.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company ("AGM") will be held on Friday, 4 May 2018 at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong. The register of members of the Company will be closed from Monday, 30 April 2018 to Friday, 4 May 2018 (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 Friday, 27 April 2018.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the three years ended 31 December 2015, 2016 and 2017 is set out on Page 74 of this annual report and does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Year are set out in note 18 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of the movements in the Company's share capital for the Reporting Year are set out in note 32 to the Consolidated Financial Statements of this annual report.

RESERVES

Details of the movements in the reserves of the Company and the Group are set out in the Consolidated Statement of Changes in Equity and note 39(b) to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2017, there was no reserve available for distribution to the members of the Company.

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

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

DIRECTORS' REPORT

DIRECTORS

As at the date of this annual report, the Directors are:

Executive Directors

Mr. Goh Cheng Seng *(Chairman and Chief Executive Officer)*
Ms. Tan Soh Kuan
Mr. Ng Sai Cheong

Independent non-executive Directors

Mr. Ma Yiu Ho Peter
Mr. Tan Kee Cheo (also known as Tan Kee Cheok)
Mr. Yip Ki Chi Luke
Mr. Zhou Guangguo (appointed on 9 February 2018)

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence for the period from the date of his/her appointment to 31 December 2017 pursuant to Rule 5.09 of the GEM Listing Rules.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Group are set out in Biographical details of the Directors and Senior Management of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service agreement with the Company on 24 October 2017 for an initial term of three years commencing from the Listing Date. Either party may terminate the service agreement by giving to the other not less than three months' prior notice in writing at any time during the initial term.

Each of the independent non-executive Directors entered into a letter of appointment with the Company on 24 October 2017 for a term of one year commencing from the Listing Date and may terminate their letter of appointment by giving a minimum of one month's notice in writing to the Company.

None of the Directors has entered into any service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation other than the statutory compensation.

PERMITTED INDEMNITY PROVISION

According to Article 164 of the Articles, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against the Directors since the Listing Date and such permitted indemnity provision for the benefits of the Directors is currently in force.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as those disclosed in note 35 to the consolidated financial statement, there was no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with him has or had a material interest, whether direct or indirect, subsisting at any time during or at the end of the Reporting Year.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as the share option scheme as set out in section headed "Share Option Scheme", at no time during the Reporting Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONTRACT OF SIGNIFICANCE

Save as those disclosed in note 35 to the consolidated financial statement, no contract of significance in relation to the Group's business (a) has been entered into between the Company, or one of its subsidiaries, and a controlling shareholder of the Company ("Controlling Shareholder") or any entity connected with him/her; nor (b) has been entered into for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any entity connected with him/her.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS AND REMUNERATION POLICY

Details of the Directors' remuneration and five highest paid individuals of the Group are set out in note 13 to the consolidated financial statements.

The Remuneration Committee has reviewed overall remuneration policy and structure relating to all Directors and senior management members of the Group in reference to the Group's operating results and individual performance.

The Group makes contribution to Central Provident Fund scheme in Singapore and Mandatory Provident Fund retirement benefits scheme in Hong Kong. Details of the defined contribution plans made by the Group are set out in the section headed "Employee benefits" of the Independent Auditor's Report.

The Company also adopted a share option scheme on 24 October 2017. Details of which are set out in the section headed "Share Option Scheme" of this directors' report and note 33 to the consolidated financial statement.

MANAGEMENT CONTRACTS

During the Reporting Year and up to the date of this annual report, other than the service contracts of the Directors, the Company did not enter into or have any management and administrative contracts in respect of the whole or any substantial part of the principal business of the Company.

EQUITY-LINKED AGREEMENTS

Save as those disclosed in the section headed "Share Option Scheme" below, no equity-linked agreements were entered into during Reporting Year. Details of the share option scheme are set out in the section headed "Share Option Scheme" of this directors' report and note 33 to the consolidated financial statement.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 24 October 2017. There was no share option granted or agreed to be granted under the Scheme from the said date of adoption to 31 December 2017. The summary of the principal terms of the Scheme are set out in note 33 to the consolidated financial statement.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Position in Shares

Name of Directors	Capacity	Number of Shares	Percentage of the Company's issued share capital
Mr. Goh	Interest in controlled corporation (Note 1) Interest of spouse (Note 2)	300,000,000	75%
Ms. Tan	Interest in controlled corporation (Note 1) Interest of spouse (Note 2)	300,000,000	75%

Notes:

1. Amber Capital Holdings Limited ("Amber Capital") holds 300,000,000 Shares, representing 75% of the Company's issued share capital. Mr. Goh and Ms. Tan hold 96.77% and 3.23% of the entire issued share capital of Amber Capital, respectively. Therefore, pursuant to the SFO, Mr. Goh and Ms. Tan are deemed to be interested in the Shares held by Amber Capital.

2. Each of Mr. Goh and Ms. Tan is spouse to each other. Therefore, pursuant to the SFO, Mr. Goh is deemed to be interested in the Shares held by Ms. Tan, and vice versa.

Long Position in the ordinary shares of associated corporation

Name of Directors	Name of associated corporation	Capacity	Number of Shares	Approximate Percentage of Shareholding
Mr. Goh	Amber Capital (Note 1)	Beneficial owner	9,677	96.77%
Ms. Tan	Amber Capital	Beneficial owner	323	3.23%

Note:

1. Amber Capital holds more than 50% of the issued share capital of the Company. Therefore, Amber Capital is the holding company and an associated corporation of the Company.

Saved as disclosed above, as at 31 December 2017, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES

As at 31 December 2017, the Shareholders (other than Directors and the chief executive director of the Company) who had interests and short positions of the share capital and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

Long Position in Shares

Name of Shareholders	Capacity	Number of Shares	Percentage of the Company's issued share capital
Amber Capital	Beneficial owner	300,000,000 Shares	75%

Save as disclosed above, as at 31 December 2017, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who held an interest or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group during the Reporting Year are set out in note 35 to the consolidated financial statements. None of the related party transactions falls under connected transaction nor continuing connected transaction under the GEM Listing Rules.

COMPETING INTEREST

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

DEED OF NON-COMPETITION

The Controlling Shareholders, namely Mr. Goh, Ms. Tan 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 report. 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 report.

MAJOR CUSTOMERS AND SUPPLIERS

The revenue of the Group's top five customers accounted for approximately S$44.8 million for the Reporting Year, representing approximately 98.2% of the Group's total revenue. The Group's largest customer accounted for approximately S$20.0 million or 44.0% of total revenue for the Reporting Year.

The total purchase from the Group's top five suppliers amounted to approximately S$12.7 million for the Reporting Year, representing approximately 62.3% of the Group's total purchase. The Group's largest supplier accounted for approximately S$9.4 million or 46.2% of total purchase for the Reporting Year.

As at the date of this annual 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.

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 report, the Company has maintained the public float of not less than 25% of the Company issued shares as required under GEM Listing Rules since the Listing Date.

INTEREST OF THE COMPLIANCE ADVISER

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

EVENTS AFTER THE REPORTING YEAR

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

USE OF PROCEEDS FROM SHARE OFFER

Details of the use of proceeds from share offer are set out in the section "Management Discussion and Analysis" of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

DONATIONS

During the Reporting Year, the Group did not make any charitable or other donations.

AUDITOR

HLB Hodgson Impey Cheng Limited was the reporting accountants of the Group for the purpose listing of the Company on GEM. The consolidated financial statements for the Reporting Year has been audited by HLB Hodgson Impey Cheng Limited. HLB Hodgson Impey Cheng Limited will retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming AGM.

By order of the Board
Goh Cheng Seng
Chairman, CEO and executive Director

Hong Kong, 19 March 2018

INDEPENDENT AUDITOR'S REPORT

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF INDIGO STAR HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Indigo Star Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 73, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Revenue recognition using the percentage-of-completion method *(Refer to Note 7 to the consolidated financial statements.)*	
During the year, the Group recognised revenue from its general building and civil engineering projects ("construction projects") based on percentage-of-completion ("POC") method amounting to approximately S$45,196,000. The POC on construction projects was measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs. We focused on this area because of the significant management judgement required in: • the estimation of the contract work completed for the contracts; and • the estimation of total contract costs on the contracts, including contingencies that could arise from variations to original contract terms, and claims.	Our procedures in relation to revenue recognition from construction projects included: In respect of construction projects, we reviewed progress billings applied from the Group, signed payment certificate from customers, and obtained confirmations from customers to access the appropriateness of management's estimates of the proportion of work completed. We evaluated the effectiveness of management's controls over the estimation of total costs and assessed the reasonableness of key inputs in the cost estimation. We tested the appropriateness of estimated costs by comparing these against actual costs incurred. We then recomputed the revenues and costs recognised for the current financial year based on the respective POC and traced these to the accounting records. We also considered the adequacy of the Group's disclosures in respect of revenue from construction contracts. Based on our procedures, we found that assumptions made in the estimation of the percentage of work completed and of the total costs in relation to the Group's construction contracts to be reasonable. We also found the disclosures in the financial statements to be adequate.
Assessment of trade and retention sum receivables *(Refer to Note 19 to the consolidated financial statements.)*	
The Group's trade and retention sum receivables were significant to the Group as they represented 40% of the Group's total assets. As at 31 December 2017, the Group recorded trade and retention sum receivables amounted to approximately S$12,748,000 after impairment provision of trade receivables of S$300,000. The Group's normal practice for retention monies is that 5% or 10% of each of the certified progress amount being withheld by the customers, subject to a maximum of 5% or 10% of the initial contract value. The release of retention monies usually depends upon completion of the past of works, completion of the works under the main contract or expiration of the defects liability period as stipulated in the contract with customers or in the main contract of the relevant project. This practice directly impacts on the Group's ageing and settlement of its trade and retention sum receivables because there is a stipulated timeframe after completion of the contract and before these monies can be released from corresponding project. This area is a key audit matter due to the inherent subjectivity that is involved in the Group making judgements in relation to credit risk exposures to determine the recoverability of trade and retention sum receivables. Management performs an impairment assessment on a regular basis, with the impairment provision estimated through the application of judgements and use of subjective assumptions.	Our procedures in relation to the management's impairment assessment of trade and retention sum receivables included: We reviewed and tested ageing of trade and retention sum receivables and sought direct confirmations for material receivables to confirm their existence and acknowledgment of the debt. We assessed the recoverability of a sample of large outstanding trade and retention sum receivables by comparing management's view of recoverability of amounts outstanding to historical patterns of receipts, in conjunction with reviewing cash received subsequent to year end for its effect in reducing amounts outstanding at year end. We also considered management's view of credit risk and noted the historical patterns for long outstanding trade and retention sum receivables. We reviewed customer's correspondence and payment certificates and discussed with management personnel to challenge knowledge of future conditions that may impact expected customer receipts. We found the management's impairment assessment to be consistent with the available information.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Hon Koon Fai, Alex.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practicing Certificate Number: P05029

Hong Kong, 19 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 S$'000	2016 S$'000
Revenue	7	**45,196**	30,068
Direct cost		**(32,900)**	(24,286)
Gross profit		**12,296**	5,782
Other income, net	9	**393**	163
Administrative expenses		**(8,701)**	(2,626)
Finance costs	10	**(40)**	(37)
Profit before taxation	12	**3,948**	3,282
Income tax expense	11	**(1,345)**	(308)
Profit for the year		**2,603**	2,974
Other comprehensive expenses, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(11)**	–
Other comprehensive expenses for the year, net of income tax		**(11)**	–
Profit and other comprehensive income for the year		**2,592**	2,974
Earnings per share:			
— basic and diluted (Singapore cents)	15	**0.84**	0.99

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	**2017 S$'000**	2016 S$'000
Non-current assets			
Investment property	*17*	**258**	263
Property, plant and equipment	*18*	**2,050**	2,297
Retention sum receivables	*19*	**7,574**	4,155
		9,882	6,715
Current assets			
Trade and retention sum receivables	*19*	**5,174**	2,684
Amounts due from customers for contract works	*20*	**2,077**	4,426
Prepayments, deposits and other receivables	*21*	**784**	883
Amount due from a director	*22*	**–**	4,491
Amount due from a related company	*23*	**–**	93
Cash and cash equivalents	*24*	**13,820**	7,015
		21,855	19,592
Current liabilities			
Trade and retention sum payables	*25*	**1,915**	1,499
Amounts due to customers for contract works	*20*	**4,272**	5,282
Other payables and accruals	*26*	**6,786**	6,513
Amount due to a director	*27*	**–**	954
Amounts due to related companies	*28*	**–**	706
Bank borrowing	*29*	**675**	771
Obligations under finance leases	*31*	**166**	188
Tax payables		**1,217**	414
		15,031	16,327
Net current assets		**6,824**	3,265
Total assets less current liabilities		**16,706**	9,980
Non-current liabilities			
Deferred tax liabilities	*30*	**30**	–
Obligations under finance leases	*31*	**23**	183
		53	183
Net assets		**16,653**	9,797
Capital and reserves attributable to owners of the Company			
Share capital	*32*	**695**	3,100
Reserves		**15,958**	6,697
Total equity		**16,653**	9,797

The consolidated financial statements were approved and authorised for issue by the board of directors on 19 March 2018 and are signed on its behalf by:

Goh Cheng Seng
Executive Director

Ng Sai Cheong
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital S$'000	Share premium (note a) S$'000	Merger reserves (note b) S$'000	Exchange reserves S$'000	Retained earnings S$'000	Total S$'000
As at 1 January 2016	3,100	–	–	–	6,223	9,323
Profit for the year	–	–	–	–	2,974	2,974
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	2,974	2,974
Dividends (Note 14)	–	–	–	–	(2,500)	(2,500)
As at 31 December 2016 and 1 January 2017	**3,100**	**–**	**–**	**–**	**6,697**	**9,797**
Profit for the year	**–**	**–**	**–**	**–**	**2,603**	**2,603**
Other comprehensive expenses for the year	**–**	**–**	**–**	**(11)**	**–**	**(11)**
Total comprehensive income for the year	**–**	**–**	**–**	**(11)**	**2,603**	**2,592**
Capitalisation issue (Note 32)	**523**	**(523)**	**–**	**–**	**–**	**–**
Effect of Reorganisation (Note 2)	**(3,100)**	**–**	**3,100**	**–**	**–**	**–**
Issue of new shares under the Share Offer (Note 32)	**172**	**10,260**	**–**	**–**	**–**	**10,432**
Share issue expenses	**–**	**(1,677)**	**–**	**–**	**–**	**(1,677)**
Dividends (Note 14)	**–**	**–**	**–**	**–**	**(4,491)**	**(4,491)**
As at 31 December 2017	**695**	**8,060**	**3,100**	**(11)**	**4,809**	**16,653**

Notes:

a. Share premium represents the excess of share issue over the par value.

b. Merger reserve represents the difference between the cost of acquisition pursuant to the Reorganisation and the total value of share capital of the entities acquired.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	**2017 S$'000**	2016 S$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**3,948**	3,282
Adjustments for:			
Depreciation of property, plant and equipment	*18*	**302**	304
Depreciation of investment property	*17*	**5**	5
Finance costs	*10*	**40**	37
Recovery of provision for doubtful debt	*9*	**(225)**	–
Interest income	*9*	**(13)**	–
Gain on disposal of property, plant and equipment	*9*	**–**	(37)
Operating cash flows before movements in working capital		**4,057**	3,591
(Increase)/decrease in trade and retention sum receivables		**(5,684)**	6,094
Decrease/(increase) in amounts due from customers for contract works		**2,349**	(3,716)
Decrease/(increase) in prepayments, deposits and other receivables		**99**	(47)
Decrease in amount due from a related company		**93**	37
Increase in trade and retention sum payables		**416**	305
Decrease in amounts due to customers for contract works		**(1,010)**	(690)
Increase in other payables and accruals		**273**	2,741
(Decrease)/increase in amounts due to related companies		**(706)**	102
Cash (used in)/generated from operations		**(113)**	8,417
Income tax paid		**(762)**	(534)
Income tax refund		**250**	8
Net cash (used in)/generated from operating activities		**(625)**	7,891
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	*18*	**(55)**	(144)
Interest income received		**13**	–
Proceeds on disposal of property, plant and equipment		**–**	48
Net cash used in investing activities		**(42)**	(96)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares upon Listing		**8,755**	–
Advance to directors		**–**	(2,197)
Repayment to a director	*37*	**(954)**	(12)
Repayment of bank borrowing	*37*	**(96)**	(89)
Repayment of finance leases	*37*	**(182)**	(197)
Interest paid		**(40)**	(37)
Dividend paid		**–**	(2,500)
Net cash generate from/(used in) financing activities		**7,483**	(5,032)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**6,816**	2,763
Cash and cash equivalents at the beginning of the year		**7,015**	4,252
Effect of foreign exchange rate changes		**(11)**	–
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		**13,820**	7,015

1. GENERAL INFORMATION

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

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

The Company is an investment holding company and the Company's subsidiaries are principally engaged in provision of structural reinforced and concrete works in buildings and civil engineering works. The details of the subsidiaries are set out in Note 40. The consolidated financial statements are presented in Singapore dollars ("S$"), which is the functional currency of its principal subsidiaries. All values are rounded to the nearest thousand ("S$'000"), except when otherwise indicated.

2. REORGANISATION

Details of the Reorganisation are set out in the section headed "History, Reorganisation and Group Structure" to the prospectus of the Company dated 31 October 2017.

(i) Incorporation of the Company

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 March 2017. Upon incorporation, the Company has an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. One nil-paid Share was allotted and issued to the initial subscriber to the memorandum and articles of association of the Company, which was then transferred to Amber Capital at nil consideration on the same date.

(ii) Incorporation of Indigo Link Holdings Limited ("Indigo Link")

Indigo Link was incorporated in the BVI with limited liability on 10 March 2017 and is the intermediate holding company of the Group. Indigo Link is authorised to issue a maximum of 50,000 shares of a single class with par value of US$0.01 each.

On 10 March 2017, one ordinary share of Indigo Link, representing the entire issued share capital of Indigo Link, was allotted and issued to the Company at nominal consideration of US$0.01, credited as fully paid. Immediately upon the said allotment and issue of the ordinary share, the Company held one ordinary share in Indigo Link, representing the entire issued share capital of Indigo Link.

(iii) Acquisition of Interno Engineering (1996) Pte. Ltd. ("IEPL")

On 16 October 2017, Indigo Link as purchaser, Mr. Goh as vendor and the Company entered into a sale and purchase agreement, pursuant to which Mr. Goh transferred 3,000,000 ordinary shares in IEPL, representing the entire issued shares of IEPL, to Indigo Link. In consideration of the said transfer, (i) the one nil-paid Share in the Company held by Amber Capital was credited as fully paid; and (ii) one ordinary share in Indigo Link will be allotted and issued to the Company. Immediately after the said share transfer, IEPL had become an indirect wholly-owned subsidiary of the Company.

(iv) Acquisition of Interno Construction Pte. Ltd. ("ICPL")

On 16 October 2017, Indigo Link as purchaser, Ms. Tan as vendor and the Company entered into a sale and purchase agreement, pursuant to which Ms. Tan transferred 100,000 ordinary shares in ICPL, representing the entire issued shares of ICPL, to Indigo Link. In consideration of the said transfer, (i) the Company allotted and issued nine Shares to Amber Capital, credited as fully paid; and (ii) one ordinary share in Indigo Link will be allotted and issued to the Company. After the said share transfer, ICPL had become an indirect wholly owned subsidiary of the Company.

2. REORGANISATION *(Continued)*

(iv) Acquisition of Interno Construction Pte. Ltd. ("ICPL") *(Continued)*

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared to include the financial statements of the companies now comprising the Group as if the Group structure upon the completion of the Group Reorganisation had been in existence throughout the period, or since their respective dates of incorporation or establishment where this is a shorter period.

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

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

IAS 7 (Amendments)	Disclosure Initiative
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
IFRS 12 (Amendments)	As part of the Annual Improvements to IFRSs 2014–2016 Cycle

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

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

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

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

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

IFRS 9 Financial Instruments

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

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

Key requirements of IFRS 9 and described below:

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

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

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

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

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

IFRS 16 Leases

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

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

As set out in Note 34, total operating lease commitments of the Group as at 31 December 2017 amounted to approximately S$1,725,000 and had original lease term within 13 months. The Directors do not expect the adoption of IFRS 16 would result in significant impact on the Group's financial performance, but it is expected that certain portion of the lease commitments will be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statement has been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statement includes applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statement has been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants. Fair value for measurement and/or disclosure purposes in the consolidated financial statement is determined on such a basis, except for share-based payment transactions that are within the of IAS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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 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.

Basis of combination

The consolidated financial statements incorporate the financial statements of the Company and companies controlled by the Company and its subsidiaries. Control is achieved when a company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Merger accounting for common control combination

The consolidated financial statement incorporates the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group which qualifies as business combination, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully combined from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange and, all acquisition-related costs are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statements of profit or loss and other comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policy adopted by the Group.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint operations *(Continued)*

When a group entity undertakes its activities under joint operations, the group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

The group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the group does not recognise its share of the gains and losses until it resells those assets to a third party.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payment. Contract costs include costs that related directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Contract costs are recognised when incurred and costs that relate directly to a specific contract comprise site labour costs; costs of subcontracting; costs of materials used in construction and an appropriate portion of variable and fixed construction overheads.

Variation in contract works and claims are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the year.

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction cannot be estimated reliably, contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Costs of construction contracts include costs that relate directly to the specific contract and costs that are attributable to contract activity and can be allocated to the contract. Such costs include but are not limited to material and consumables, direct labour, subcontracting charges and accommodation expenses. When progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers. When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) Construction contracts income

Revenue from construction contracts is recognised based on the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Rental income

Rental income is recognised, on a straight-line basis, over the terms of the respective leases.

Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purpose of presenting consolidated financial statement, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Singapore dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributable to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributable to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Defined contribution plans

Singapore

The Group makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. CPF is a mandatory social security savings scheme funded by contributions from employers and employees. Under the Central Provident Fund Act (Chapter 36 of the laws of Singapore) (the "CPFA"), the Group is required to pay to the CPF by the end of each month in respect of each employee, who is either a citizen or permanent resident of Singapore, contributions at the contribution rates prescribed in the CPFA. These contributions are recognised as an expense in the period in which they become payable in accordance with the scheme.

Hong Kong

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, employees are required to contribute 5% of their monthly salaries or up to a maximum of HK$1,500 and they can choose to make additional contributions. Employers' monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK$1,500 (the "mandatory contributions"). Employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

(a) Current income tax

The tax currently payable is based on taxable profit for the current year. Taxable profit differs from "profit before taxation" as reported in the consolidated statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(b) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

(c) Current and deferred tax

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income taxes *(Continued)*

(d) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other receivables or payables in the consolidated statements of financial position.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The property, plant and equipment are depreciated over their estimated useful lives or amortised over the lease period on a straight-line basis as follow:

Leasehold property	60 years
Leasehold improvement	3 years
Furniture and fixture	5 years
Machinery and equipment	1 to 6 years
Motor vehicle	5 years

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties over the lease term and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Impairment of assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets other than goodwill *(Continued)*

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the year. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and retention sum receivables, amounts due from customers for contract works, deposits, other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities including trade and retention sum payables, amounts due to customers for contract works, other payables and accruals, bank borrowing and obligations under finance leases are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the year. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties transactions

A party is considered to be related to the Group if:

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

(b) an entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealing with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statement are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statement on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and at banks that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

Dividends

Dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

5. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the consolidated financial statement requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Management is of the opinion that there is no significant judgement, apart from those involving estimations, made in applying accounting policies that has a significant effect on the amounts recognised in the consolidated financial statement.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Construction contract revenue recognition

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and provision for claims, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual amounts incurred. The provision for claims is determined on the basis of the delay in the number of workdays of the completion of the construction works which is highly subjective and is subject to negotiation with the customers. Management conducts periodic review of the provisioning amount.

Significant judgement is required in estimating the contract revenue, contract costs, variation works and provision for claims which may have an impact in terms of percentage of completion and profit taken. The judgements of the management are based on contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any disagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results.

Impairment of trade and retention sum receivables and other receivables

The Group's management assesses the collectability of trade and retention sum receivables and other receivables on a regular basis to determine if any provision for impairment is necessary. This estimate is based on, where appropriate, the evaluation of collectability and ageing analysis of the receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstanding, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required. Management reassesses the provision for impairment at the reporting date. The carrying amounts of trade and retention sum receivables and other receivables are disclosed in Notes 19 and 21, respectively.

Impairment of property, plant and equipment

The Group reviews its property, plant and equipment for indications of impairment at each reporting period. In analysing potential impairments identified, the Group uses projections of future cash flows from the assets based on management's assignment of a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

5. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

Income tax expense

The Group has exposure to income taxes in Singapore. In determining the income tax liabilities, management is required to estimate the amount of capital allowances, deductibility of certain expenses and applicable tax incentives. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax recognised in the period in which such determination is made. The carrying amounts of the Group's current income tax liabilities as at 31 December 2017 was S$1,217,000 (2016: S$414,000).

Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The deprecation expenses for future period is adjusted if there are significant changes from previous estimates.

6. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

	2017 S$'000	2016 S$'000
Financial assets		
Loans and receivables:		
— Trade and retention sum receivables	**12,748**	6,839
— Deposits and other receivables	**641**	868
— Amount due from a director	**–**	4,491
— Amount due from a related company	**–**	93
— Cash and cash equivalents	**13,820**	7,015
	27,209	19,306

	2017 S$'000	2016 S$'000
Financial liabilities		
Financial liabilities measured at amortised cost:		
— Trade and retention sum payables	**1,915**	1,499
— Other payables and accruals	**6,786**	6,513
— Amount due to a director	**–**	954
— Amounts due to related companies	**–**	706
— Bank borrowing	**675**	771
— Obligation under finance leases	**189**	371
	9,565	10,814

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial Risk Management Objectives and 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 following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Credit risk concentration profile

(a) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are trade and retention sum receivables, deposits and other receivables, amounts due from a director, amount due from a related company and cash and cash equivalents. For trade and retention sum receivables, the Group adopts the policy of dealing only with customers of appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the consolidated statement of financial position.

The Group assesses concentration of credit risk by monitoring the individual profile of its trade and retention sum receivables on an ongoing basis.

(i) Financial assets that are neither past due nor impaired

Cash at bank that are neither past due nor impaired are placed with reputable financial institutions with high credit-ratings. Trade and retention sum receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(ii) Financial assets that are past due but not impaired

Trade and retention sum receivables that are past due but not impaired are substantially due from companies with recognised and creditworthy counterparties. The balances are monitored on an ongoing basis to ensure the exposure to credit risk is minimal. Information regarding financial assets that are past due but not impaired is disclosed in Note 19 to the consolidated financial statement.

6. FINANCIAL INSTRUMENTS *(Continued)*

Credit risk concentration profile *(Continued)*

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity risk is to ensure, as far as possible, it will always have sufficient liquidity to meet its liabilities when due, such as maintaining sufficient cash and cash equivalents as disclosed in Note 24.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations:

	Weighted average effective interest rate %	On demand or within 1 year S$'000	More than 1 year but less than 2 years S$'000	More than 2 years but less than 5 years S$'000	Over 5 years S$'000	Total undiscounted cash flows S$'000	Carrying amount S$'000
As at 31 December 2017							
Financial liabilities:							
Trade and retention sum payables	–	1,915	–	–	–	1,915	1,915
Other payables and accruals	–	6,786	–	–	–	6,786	6,786
Bank borrowing	3.50	837	–	–	–	837	675
Obligation under finance leases	3.69	170	23	–	–	193	189
		9,708	23	–	–	9,731	9,565

	Weighted average effective interest rate %	On demand or within 1 year S$'000	More than 1 year but less than 2 years S$'000	More than 2 years but less than 5 years S$'000	Over 5 years S$'000	Total undiscounted cash flows S$'000	Carrying amount S$'000
As at 31 December 2016							
Financial liabilities:							
Trade and retention sum payables	–	1,499	–	–	–	1,499	1,499
Other payables and accruals	–	6,513	–	–	–	6,513	6,513
Amount due to a director	–	954	–	–	–	954	954
Amounts due to related companies	–	706	–	–	–	706	706
Bank borrowing	3.42	958	–	–	–	958	771
Obligation under finance leases	3.78	199	170	23	–	392	371
		10,829	170	23	–	11,022	10,814

6. FINANCIAL INSTRUMENTS *(Continued)*

Credit risk concentration profile *(Continued)*

(b) Liquidity risk *(Continued)*

The following table summarises the maturity analysis of bank borrowing with repayable on demand clause based on agreed scheduled repayments set out in the loan agreements. The amount includes interest payments computed using contractual rates. Taking into account the Group's financial position, the Directors do not consider that it is probable that the bank will exercise its discretion to immediate repayment. The Directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity Analysis — bank borrowings subject to a repayment on demand clause based on schedule repayments			
	Within one year	More than one year but less than two years	More than two years but less than five years	Over five years
	S$'000	S$'000	S$'000	S$'000
As at 31 December 2017	**129**	**129**	**386**	**193**
As at 31 December 2016	121	129	386	322

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the year. The capital structure of the Group consists of debt, which includes bank borrowing and obligations under finance leases, as disclosed in Notes 29 and 31, respectively, net of bank balances and cash and equity attributable to owners of the Group, comprising share capital and retained earning. The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares and new debts.

Fair value and fair value hierarchy

The carrying amounts of the Group's financial assets, including trade and retention sum receivables, deposits and other receivables, amount due from a director, amount due from a related company and cash and cash equivalents and the Group's financial liabilities, including trade and retention sum payables, other payables and accruals, amount due to a director, amounts due to related companies, bank borrowing and obligation under finance leases, approximate their fair values due to their short maturities. The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group and the Company for similar financial instruments.

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the year. There were no transfers between levels 1 and 2 during the year.

7. REVENUE

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

8. SEGMENT INFORMATION

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

Revenue from major customers

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

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

Note:

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

Geographical information

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

9. OTHER INCOME

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

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.

10. FINANCE COSTS

	2017 S$'000	2016 S$'000
Interest on:		
Bank borrowing wholly repayable on demand	**23**	25
Obligations under finance leases	**17**	12
	40	37

11. INCOME TAX EXPENSE

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

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

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

A reconciliation of the tax expenses applicable to profit before tax at the statutory rate for country in which the Company's subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2017 S$'000	2016 S$'000
Profit before taxation	**3,948**	3,282
Income tax using the statutory tax rate	**671**	558
Non-deductible expenses	**822**	47
Non-taxable incomes	**(2)**	–
Enhanced deduction	**(148)**	–
Effect of tax exemption and tax relief	**(42)**	(181)
Corporate tax rebate	**(15)**	(25)
Under/(over) provision in prior year	**59**	(91)
	1,345	308

For the years ended 31 December 2017 and 2016 the Group has no tax loss brought forward from prior year to offset against the assessable profit in the future.

12. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

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

13. DIRECTORS' CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(i) Directors' Emoluments

Details for the emoluments of each director for the year ended 31 December 2017 are set out below:

	Directors' Fees S'000	Salaries and bonuses S'000	Contributions to defined contribution retirement plan S'000	Other short-term benefits S'000	Total S'000
Executive directors					
Mr. Goh Cheng Seng (note a)	–	1,110	28	2	1,140
Ms. Tan Soh Kuan (note b)	–	658	30	2	690
Mr. Ng Sai Cheong (note c)	–	151	–	–	151
Independent non-executive directors					
Mr. Ma Yiu Ho Peter (note d)	5	–	–	–	5
Mr. Tan Kee Cheo (note d)	5	–	–	–	5
Mr. Yip Ki Chi Luke (note d)	5	–	–	–	5
	15	1,919	58	4	1,996

13. DIRECTORS' CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

(i) Directors' Emoluments *(Continued)*

Details for the emoluments of each director for the year ended 31 December 2016 are set below:

	Directors' Fees S'000	Salaries and bonuses S'000	Contributions to defined contribution retirement plan S'000	Other short-term benefits S'000	Total S'000
Executive directors					
Mr. Goh Cheng Seng (note a)	–	419	23	–	442
Ms. Tan Soh Kuan (note b)	–	610	25	–	635
Mr. Ng Sai Cheong (note c)	–	–	–	–	–
Independent non-executive directors					
Mr. Ma Yiu Ho Peter (note d)	–	–	–	–	–
Mr. Tan Kee Cheo (note d)	–	–	–	–	–
Mr. Yip Ki Chi Luke (note d)	–	–	–	–	–
	–	1,029	48	–	1,077

Notes:

a. Mr. Goh Cheng Seng was appointed as the executive Director, Chairman and Chief Executive Officer of the Company on 8 March 2017.

b. Ms. Tan Soh Kuan was appointed as the executive Director of the Company on 8 March 2017.

c. Mr. Ng Sai Cheong was appointed as the executive Director, company secretary and compliance officer of the Company on 5 April 2017.

d. Mr. Ma Yiu Ho Peter, Mr. Tan Kee Cheo and Mr. Yip Ki Chi Luke were appointed as the independent non-executive director of the Company on 24 October 2017.

13. DIRECTORS' CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

(ii) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year included 3 (2016: 2) directors of the Company whose directors' emoluments are disclosed in the above analysis. The emoluments payable to the rest of 2 (2016: 3) individuals during the year are as follows:

	2017 S$'000	2016 S$'000
Salaries and bonuses	319	295
Contributions to defined contribution retirement plan	15	7
	334	302

The number of non-director highest paid employees whose emoluments fell within the following bands is as follows:

	Number of individuals	
	2017	2016
Nil to HK$1,000,000 (equivalent to Nil to S$180,505)	2	3

During the years ended 31 December 2017 and 2016, no emoluments were paid by the Group to any of the Directors and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. There was no Directors and the five highest paid individuals agreed to waive or waived any emoluments during the years ended 31 December 2017 and 2016.

14. DIVIDENDS

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

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

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

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

15. EARNINGS PER SHARE

	2017 S$'000	2016 S$'000
Profit for the year attributable to owners of the Company	2,603	2,974

	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	308,333	300,000
Basic earnings per share (Singapore cents)	0.84	0.99

15. EARNINGS PER SHARE *(Continued)*

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average number of shares in issue. The number of shares for the purpose of basic earnings per share for the year ended 31 December 2016 is based on 300,000,000 shares, which were issued pursuant to the capitalisation issue as detailed in Note 32, and deemed to have been issued since 1 January 2016.

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

16. JOINT OPERATION

The Company has 50% of interest in a joint arrangement, the formwork portion of Project Tanjong Pagar Mixed Development (the "TPMD"). The Company classified the joint arrangement as a joint operation and recognised profit or loss resulting from the activities of the arrangement jointly, its share of assets held jointly and liabilities incurred jointly. The joint operation was terminated during the year ended 31 December 2017 since the TPMD was completed in June 2016.

The details of the joint operation are summarised as follows:

Name	Place of operation	Participating shares As at 31 December 2017	As at 31 December 2016	Principal activity
Formwork portion of Project TPMD	Singapore	–	50%	Formwork constructions

17. INVESTMENT PROPERTY

	Total S$'000
Cost	
As at 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	300
Accumulated depreciation	
As at 1 January 2016	32
Charge for the year	5
As at 31 December 2016 and 1 January 2017	**37**
Charge for the year	**5**
As at 31 December 2017	**42**
Net carrying values	
As at 31 December 2017	**258**
As at 31 December 2016	263
Fair value	
As at 31 December 2017	**580**
As at 31 December 2016	570

17. INVESTMENT PROPERTY *(Continued)*

	2017 S$'000	2016 S$'000
Rental income	**11**	28
Direct operating expenses arising from investment property that generated rental income	**2**	6

The investment property of the Group consists of an industrial building used for rental income generation purpose. It was located at 50 Serangoon North Avenue 4 #04-21 Singapore 555856 on a leasehold land. The estimated useful life of the investment property is 60 years. The investment property is stated at cost less accumulated depreciation and any impairment loss.

The investment property was classified under Level 3 in the fair value hierarchy. During the year, there were no transfer of fair value measurements between Level 1 and 2 and no transfer into or out of Level 3.

As at 31 December 2017, investment property was revalued by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. Fair value is determined by a market comparison method by reference to recent sales price of comparable properties. The significant unobservable input in the fair value measurement is the price per square feet, which ranged from S$410 to S$468 and the weighted average price per square feet is S$431.

A significant increase/decrease in the unobservable input would result in a significant higher/lower in the fair value measurement. The highest and best use of the investment property of the Group does not differ from its current use.

The investment property was secured for the Group's mortgage loan (Note 29).

18. PROPERTY, PLANT AND EQUIPMENTS

	Leasehold 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 at 1 January 2016	1,560	196	110	893	668	3,427
Additions	–	–	4	78	127	209
Disposal	–	–	–	–	(13)	(13)
As at 31 December 2016 and 1 January 2017	1,560	196	114	971	782	3,623
Additions	–	–	2	53	–	55
As at 31 December 2017	**1,560**	**196**	**116**	**1,024**	**782**	**3,678**
Accumulated depreciation						
As at 1 January 2016	55	146	34	217	572	1,024
Charge for the year	27	50	15	152	60	304
Disposal	–	–	–	–	(2)	(2)
As at 31 December 2016 and 1 January 2017	82	196	49	369	630	1,326
Charge for the year	27	–	16	204	55	302
As at 31 December 2017	**109**	**196**	**65**	**573**	**685**	**1,628**
Net carrying values						
As at 31 December 2017	**1,451**	**–**	**51**	**451**	**97**	**2,050**
As at 31 December 2016	1,478	–	65	602	152	2,297

18. PROPERTY, PLANT AND EQUIPMENTS *(Continued)*

Notes:

a. The net book value of property, plant and equipment held under finance lease obligations comprises:

	2017 S$'000	2016 S$'000
Cost	**827**	827
Less: Accumulated depreciation	**(345)**	(179)
Net carrying value	**482**	648

b. As at 31 December 2017, property, plant and equipment with carrying amount of approximately S$1,451,000 (2016: S$1,478,000) were pledged for the secured mortgage loan as below mentioned in Note 29.

19. TRADE AND RETENTION SUM RECEIVABLES

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

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

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

The non-current portion represented retention sum receivables only.

Based on invoices date, ageing analysis of the Group's trade and retention sum receivables are summarised as follows:

	2017 S$'000	2016 S$'000
Within 30 days	**4,538**	1,794
31 to 90 days	**616**	308
91 to 180 days	**935**	438
181 to 365 days	**1,897**	920
Over 1 year but less than 2 years	**1,952**	1,430
Over 2 years	**2,810**	1,949
	12,748	6,839

19. TRADE AND RETENTION SUM RECEIVABLES *(Continued)*

Ageing analysis of the Group's trade and retention sum receivables that are past due but not impaired are summarised as follows:

	2017 S$'000	2016 S$'000
Neither past due nor impaired	12,584	6,654
1 to 30 days	–	–
31 to 90 days	–	–
91 to 180 days	–	82
181 to 365 days	–	103
Over 1 year but less than 2 years	164	–
Over 2 years	–	–
	12,748	6,839

The Group's trade and retention sum 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 and retention sum receivables that were past due but not impaired under review are of good credit quality. The Group does not hold any collateral in respect of trade and retention sum receivables past due but not impaired.

Bad debt, in respect of trade and retention sum 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 and retention sum receivables directly.

The movement in the provision for bad debt recognised in respect of the Group's trade receivables is summarised as follows:

	2017 S$'000	2016 S$'000
As at the beginning of the year	300	300
Provision for bad debt recognised	–	–
As at the end of the year	300	300

The movement in the provision for bad debt recognised in respect of the Group's retention sum receivables is summarised as follows:

	2017 S$'000	2016 S$'000
As at the beginning of the year	225	225
Provision for bad debt recognised	–	–
Recovery of bad debt recognised	(225)	–
As at the end of the year	–	225

20. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

	2017 S$'000	2016 S$'000
Contract cost incurred plus recognised profit less recognised loss	**56,908**	38,081
Less: Progress billings	**(59,103)**	(38,937)
As at the end of the year	**(2,195)**	(856)

Analyses for reporting purposes as:

	2017 S$'000	2016 S$'000
Amounts due from customers for contract works	**2,077**	4,426
Amounts due to customers for contract works	**(4,272)**	(5,282)
As at the end of the year	**(2,195)**	(856)

All amounts due from/(to) customers for contract works are expected to be recovered/settled within one year.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 S$'000	2016 S$'000
Prepayments	**143**	15
Deposits	**466**	530
Other receivables	**175**	338
	784	883

22. AMOUNT DUE FROM A DIRECTOR

	Maximum balance outstanding during the year ended			
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Mr. Goh Cheng Seng	**4,491**	4,516	**–**	4,491

The amount due from a director which was in non-trade nature is unsecured, interest free and recoverable on demand.

23. AMOUNT DUE FROM A RELATED COMPANY

	Maximum balance outstanding during the year ended			
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
CM Goh Crane Service	**93**	93	**–**	93

The amount due from a related company which was in trade nature is unsecured, interest free and recoverable on demand.

24. CASH AND CASH EQUIVALENTS

	2017 S$'000	2016 S$'000
Cash and bank balances	12,817	7,015
Time deposits with an original maturity of less than three months	1,003	–
Cash and cash equivalents	13,820	7,015

The bank balances bear interest at floating rates based on daily bank deposits rates. Certain of the Group's cash as bank earns interest at the weighted average effective interest rates of 1.15% per annum. Short term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

Cash and cash equivalents were denominated in the following currencies:

	2017 S$'000	2016 S$'000
Singapore dollars	7,898	7,015
Hong Kong dollars	5,922	–
	13,820	7,015

25. TRADE AND RETENTION SUM PAYABLES

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

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

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:

	2017 S$'000	2016 S$'000
0 to 30 days	1,532	694
31 to 90 days	93	445
91 to 180 days	82	44
Over 180 days	208	316
	1,915	1,499

26. OTHER PAYABLES AND ACCRUALS

	2017 S$'000	2016 S$'000
Accrued operating expenses (note a)	**5,789**	5,566
Other payables (note b)	**536**	646
GST payables	**461**	301
	6,786	6,513

Notes:

a. As at 31 December 2017, accrued operating expenses mainly represented the accrued salaries of approximately S$2,651,000 (2016: S$1,843,000).

b. As at 31 December 2017, other payable mainly represented amount due to Octagon Consultancy Services Pte Ltd which related to the joint operation project described in Note 16 of approximately S$460,000 (2016: S$637,000).

27. AMOUNT DUE TO A DIRECTOR

The amount due to a director which was in non-trade nature is unsecured, interest free and repayable on demand.

28. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies which were in trade nature are unsecured, interest free and repayable on demand.

29. BANK BORROWING

	2017 S$'000	2016 S$'000
Secured mortgage loan	**675**	771

Note:

The bank borrowing was secured by the pledge of certain Group's property, plant and equipment (Note 18) and investment property (Note 17) which carries weighted average effective interest rate at 3.50% (2016: 3.60%) per annum. It is subject to a repayment on demand clause and hence classified as current liabilities.

30. DEFERRED TAX LIABILITIES

	2017 S$'000	2016 S$'000
As at 1 January	**–**	–
Recognised in profit or loss during the year (Note 11):		
Accelerated tax depreciation	**30**	–
As at 31 December	**30**	–

Tha deferred tax liabilities resulted from temporary taxable differences arising from accelerated depreciation in relation to capital allowance claims on qualified assets in accordance with prevailing tax laws in Singapore.

31. OBLIGATION UNDER FINANCE LEASES

The total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016
	S$'000	S$'000	**S$'000**	S$'000
Amounts payable under finance leases:				
Within one year	**170**	199	**166**	188
In the second to fifth year, inclusive	**23**	193	**23**	183
	193	392	**189**	371
Less: Finance charges	**(4)**	(21)	**–**	–
	189	371	**189**	371

	2017	2016
	S$'000	S$'000
Current portion	**166**	188
Non-current portion	**23**	183
	189	371

As at 31 December 2017, the Group has leased a motor vehicle and a heavy machinery under finance leases. The lease terms are 3 years. Effective interest rate underlying all obligations under finance leases are fixed at respective contract dates ranged from approximately 3.41% to 4.62% per annum. Obligations under finance leases are denominated in Singapore dollars.

The obligations under finance leases are secured by the lessor's charge over the leased assets and the relevant heavy machinery.

32. SHARE CAPITAL

For the purpose of presenting the share capital of the Group prior to the Reorganisation in the consolidated statement of financial position, the balance as at 31 December 2016 represented the share capital of the Singapore subsidiaries IEPL at the amount of S$3,000,000 and ICPL at the amount of S$100,000 in which the Company was incorporated in the Cayman Islands on 8 March 2017.

The Company was successfully listed on GEM on 16 November 2017 by way of share offer of public offer of 10,000,000 ordinary shares and placing of 90,000,000 ordinary shares at the price of HK$0.60 per share ("Share Offer").

	Number of shares	**Amount**
	'000	S$'000
Authorised share capital of the Company at HK$0.01 each:		
At date of incorporation (note a)	38,000	69
Increase on 24 October 2017 (note b)	962,000	1,678
As at 31 December 2017	**1,000,000**	**1,747**

32. SHARE CAPITAL *(Continued)*

	Number of shares '000	Amount S$'000
Issued and fully paid of the Company at HK$0.01 each:		
At date of incorporation on 8 March 2017	-	-
Issue of share under the capitalisation issue (note c)	300,000	523
Issue of shares under the Share Offer (note d)	100,000	172
As at 31 December 2017	**400,000**	**695**

Notes:

a. The Company was incorporated in the Cayman Islands with limited liability on 8 March 2017 with authorised share capital of HK$380,000 (approximately S$69,000) divided into 38,000,000 shares at HK$0.01 each. One nil-paid share was allotted and issued to the initial subscriber to the memorandum and articles of the Company, which was then transferred to Amber Capital at nil consideration on the same date.

b. Pursuant to the written resolutions passed on 24 October 2017, the Company increased its authorised share capital from HK$380,000 (approximately S$69,000) to HK$10,000,000 (approximately S$1,747,000) by the creation of an additional 962,000,000 shares of HK$0.01 each.

c. Pursuant to the resolution passed by the sole shareholder on 24 October 2017, conditional on the share premium account of the Company being credit with the proceeds from the Share Offer, HK$2,999,999.90 (approximately S$523,000) will be capitalised from the share premium account of the Company and applied in paying up in full at par 299,999,990 shares for the allotment.

d. On 16 November 2017, 100,000,000 ordinary shares of HK$0.01 each were issued by way of placing at a price of HK$0.60 per share for cash consideration of approximately HK$600,000,000 (approximately S$10,432,000). The excess of the Share Offer over the par value of the shares issued were credited to the share premium account.

33. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 24 October 2017. The following is the summary of the principal terms of the Scheme:

(a) Purpose

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of the Group and to promote the success of the business of the Group.

(b) Who may join and basis of eligibility

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, including, where required under the GEM Listing Rules, the independent non-executive Directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of the Group.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided that in the event of fractional prices, the subscription price per Share shall be rounded upwards to the nearest whole cent.

33. SHARE OPTION SCHEME *(Continued)*

(d) Maximum number of Shares

The maximum number of shares in respect of which options may be granted under the Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue, being 40,000,000 shares, unless the Company obtains a fresh approval.

(e) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted in any 12-month period to a Participant under the Scheme and other schemes must not exceed 1% of the Shares in issue.

(f) Time of exercise of option

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

34. OPERATING LEASE COMMITMENTS

(a) As lessor

Future minimum lease rental receivables under non-cancellable operating leases of the Group as at the reporting dates are as follows:

	2017 **S$'000**	2016 S$'000
Within one year	**–**	34
Within two to five years	**–**	46
	–	80

The Group leases its investment property under operating leases. The leases run for an initial period of 1 to 2 years. None of these leases includes any contingent rentals. The above lease agreement was early terminated by the tenant on 15 May 2017.

(b) As lessee

Future minimum rental payables under non-cancellable operating lease of the Group as at the reporting dates are as follows:

	2017 **S$'000**	2016 S$'000
Within one year	**1,518**	1,212
Within two to five years	**207**	–
	1,725	1,212

The Group leases dormitories and site equipment under non-cancellable operating leases. The leases run for an initial period of 1 month to 13 months, with options to renew the lease terms upon expiry when all terms are re-negotiated. None of these leases include any contingent rentals.

35. MATERIAL RELATED PARTIES TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statement, the following transactions took place between the Group and related parties at terms agreed between the parties:

(i) Compensation paid to key management personnel of the Group represented are disclosed in Note 13.

(ii) During the year, the Group had the following transactions with related parties:

Name of related party	Nature of transactions	**2017 S$'000**	2016 S$'000
Prowess General Service Contractor ("Prowess") (note a and b)	Subcontracting charges	–	986
Interno Building Construction Pte. Ltd. ("IBCPL") (note a and c)	Subcontracting charges	–	61

Notes:

a. Prowess and IBCPL are held by Mr. Goh Cheng Seng, who is the common Director of the Group.

b. Prowess was deregistered on 4 January 2017.

c. IBCPL was struck off on 8 May 2017.

36. NON-CASH TRANSACTIONS

During the year ended 31 December 2017, special dividend of approximately S$4,500,000 was declared and being settled against the amounts due from directors.

During the year ended 31 December 2016, the additions of property, plant and equipment was partly settled by the agreement of hire purchase facility of S$65,000.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

		Obligations under finance leases			
	Bank borrowing S$'000	Current S$'000	Non-current S$'000	Amount due to director S$'000	Total S$'000
As at 1 January 2017	771	188	183	954	2,096
Changes from financing cash flows:					
Repayment to a director	–	–	–	(954)	(954)
Repayment of bank borrowing	(96)	–	–	–	(96)
Repayment of finance leases	–	(22)	(160)	–	(182)
Interest paid	(23)	(14)	(3)	–	(40)
Total changes in financing cash flows	(119)	(36)	(163)	(954)	(1,272)
Other change:					
Interest expenses	23	14	3	–	40
As at 31 December 2017	**675**	**166**	**23**	**–**	**864**

38. RETIREMENT BENEFIT PLANS

Hong Kong

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2016: HK$30,000). Contributions to the plan vest immediately.

Singapore

The CPF is a comprehensive social security system that enables working citizens and permanent residents of Singapore to set aside funds for retirement. We are required to pay monthly to the CPF in respect of each employee, who is either a citizen or permanent resident of Singapore, contributions at the contribution rates prescribed under the Central Provident Fund Act (Cap 36) of Singapore ("CPFA").

Pursuant to section 7(2) of the CPFA, the employer is allowed to recover certain amounts as stipulated in the CPFA from the monthly wages of an employee.

Section 7(3) of the CPFA provides that any employer who has recovered any amount from the monthly wages of an employee in accordance with the CPFA and fails to pay the contributions to the CPF within such time as may be prescribed, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S$10,000 or to imprisonment for a term not exceeding seven (7) years or to both.

Section 9 of the CPFA provides that, where the amount of the contributions which an employer is liable to pay in respect of any month is not paid within the prescribed period for payment, the employer shall be liable to pay interest on the amount for every day the amount remains unpaid commencing from the first day of the month succeeding the month in respect of which the amount is payable and the interest shall be calculated at the rate of 1.5% per month or the sum of S$5.00, whichever is the greater.

The CPFA provides that in general if any person convicted of an offence under the CPFA for which no penalty is provided shall be liable on conviction to pay a fine not exceeding S$5,000 or to imprisonment for a term not exceeding 6 months or both, and if that person is a repeat offender for the same offence, to a fine not exceeding S$10,000 or to imprisonment for a term not exceeding 12 months or both.

The total expense recognised in consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 of approximately S$320,000 (2016: S$225,000), which represents contributions paid and/or payable to the scheme by the Group.

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of Financial Position

	2017 S$'000
Current assets	
Prepayments	**46**
Amount due from a subsidiary	**4,495**
Cash and cash equivalents	**870**
	5,411
Current liabilities	
Accruals	**244**
Amount due to a subsidiary	**877**
	1,121
Net assets	**4,290**
Capital and reserves attributable to owners of the Company	
Share capital	**695**
Reserves	**3,595**
Total equity	**4,290**

The financial statement was approved and authorised for issue by the board of directors on 19 March 2018 and was signed on its behalf by:

Goh Cheng Seng
Executive Director

Ng Sai Cheong
Executive Director

(b) Reserves

	Share premium S$'000	Exchange reserves S$'000	Accumulated loss S$'000	Total S$'000
As at 3 March 2017 (date of incorporation)	–	–	–	–
Loss for the year	–	–	(4,454)	(4,454)
Other comprehensive expenses for the year	–	(11)	–	(11)
Total comprehensive expenses for the year	–	(11)	(4,454)	(4,465)
Capitalisation issue	(523)	–	–	(523)
Issue of new shares under the Share Offer	10,260	–	–	10,260
Share issue expenses	(1,677)	–	–	(1,677)
As at 31 December 2017	8,060	(11)	(4,454)	3,595

40. SUBSIDIARIES

The Group's principal subsidiaries as at 31 December 2017 are set out below. The proportion of ownership interest held equals the voting rights held by the Group. The country of incorporation is also the principal place of business.

Name of Subsidiaries	Place of incorporation	Issued and fully paid share capital registered capital at the date of this report	2017 %	2016 %	Principal activities
Directly held:					
Indigo Link Holdings Limited ("Indigo Link")	BVI	Ordinary shares US$0.01	100	–	Investment holding
Indirectly held:					
IEPL	Singapore	Ordinary shares S$3,000,000	100	–	Building construction
ICPL	Singapore	Ordinary shares S$100,000	100	–	Building construction

41. EVENTS AFTER THE REPORTING PERIOD

Other than the appointment of Mr. Zhou Guangguo as independent non-executive director on 9 February 2018, there is no significant event of the Company after the reporting period.

42. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Directors on 19 March 2018.

FINANCIAL SUMMARY

For the three years ended 31 December 2015, 2016 and 2017:

RESULTS

	Year ended 31 December		
	2017	2016	2015
	S$'000	S$'000	S$'000
Revenue	**45,196**	30,068	29,942
Profit before taxation	**3,948**	3,282	2,877
Income tax expense	**(1,345)**	(308)	(374)
Profit for the year	**2,603**	2,974	2,503
Total profit and comprehensive income for the year	**2,592**	2,974	2,503

ASSETS AND LIABILITIES

	As at 31 December		
	2017	2016	2015
	S$'000	S$'000	S$'000
Total assets	**31,737**	26,307	23,826
Total liabilities	**15,084**	16,510	14,503
Total equity	**16,653**	9,797	9,323